NOVA SCOTIA

Public Accounts

VOLUME 1–FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2004

The Honourable Peter G. Christie,
Minister of Finance

Printed by Order of the Legislature
Halifax, Nova Scotia, 2004

To Her Honour:

The Honourable Myra A. Freeman
Lieutenant Governor of Nova Scotia

May It Please Your Honour –

The undersigned has the honour to submit the Public Accounts of the Province of Nova Scotia for the fiscal year ended March 31, 2004.

Peter G. Christie
Minister of Finance

Office of the Minister
Halifax, Nova Scotia

The Honourable Peter G. Christie
Minister of Finance
Halifax, Nova Scotia

Sir:

In accordance with Section 9(1) of the Provincial Finance Act, I have the honour to submit the Public Accounts of the Province of Nova Scotia for the Fiscal year ended March 31, 2004.

Respectfully submitted,

Vicki Harnish
Deputy Minister of Finance

Office of the Deputy Minister
Halifax, Nova Scotia

Province of Nova Scotia

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for the fiscal year ended March 31, 2004

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Province of Nova Scotia

Statement of Responsibility for the Consolidated Financial Statements of the Province of Nova Scotia

Responsibility for the integrity and objectivity of the consolidated financial statements of the Province of Nova Scotia rests with the government. These financial statements are prepared by the Controller in accordance with the government's stated accounting policies.

The stated accounting policies reflect the accounting principles recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA and International Federation of Accountants accounting standards or pronouncements.

The consolidated financial statements include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations and Accumulated Deficits, a Consolidated Statement of Change in Net Direct Debt, and a Consolidated Statement of Cash Flow. They present fairly, in all material respects, the financial position and the results of operations for the year ended.

The government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained.

The Auditor General of Nova Scotia provides an independent opinion on the consolidated financial statements prepared by the government.

NOVA SCOTIA Office of the
Auditor General

AUDITOR'S REPORT

To the Members of the Legislative
Assembly of Nova Scotia

I have audited the consolidated statement of financial position of the Province of Nova Scotia as at March 31, 2004 and the consolidated statements of operations and accumulated deficits, change in net direct debt and cash flow for the year then ended. These statements are the responsibility of the Government of Nova Scotia, represented by the Minister of Finance. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province of Nova Scotia as at March 31, 2004 and the results of its operations, changes in net direct debt and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
July 9, 2004

Statement 1

Consolidated Statement of Financial Position

as at March 31, 2004

($ thousands)

		2004		***2003*** (as restated)
Financial Assets				
Cash and Short-term Investments (Note 4)	$	538,972	$	266,113
Accounts Receivable and Advances		464,883		457,497
Inventories for Resale		665		1,327
Loans Receivable (Schedule 3)		920,186		901,763
Investments (Schedule 3)		44,926		34,002
Investment in Discontinued Government Business Enterprises (Schedule 4)		---		1,543
		1,969,632		1,662,245
Liabilities				
Bank Advances and Short-term Borrowings		585,312		395,701
Accounts Payable and Accrued Liabilities		1,083,914		1,023,858
Deferred Revenue		108,409		68,213
Accrued Interest		240,981		252,211
Unmatured Debt of Governmental Units (Schedule 5)		11,088,046		11,198,280
Unamortized Foreign Exchange Translation Losses and Discounts		(136,728)		(403,908)
Pension, Retirement and Other Obligations (Note 6)		1,318,331		1,332,387
Deficiency in Government Business Enterprises (Schedule 4)		13,377		21,474
		14,301,642		13,888,216
Net Direct Debt		(12,332,010)		(12,225,971)
Non-Financial Assets				
Tangible Capital Assets (Schedule 7)		3,064,028		2,920,036
Inventories of Supplies		17,746		15,699
Prepaid Expenses		11,346		8,759
		3,093,120		2,944,494
Accumulated Deficits	$	(9,238,890)	$	(9,281,477)
Trust Funds under Administration (Note 7)	$	7,720,038	$	6,790,328

Accounting Changes (Note 2)
Contingencies and Contractual Obligations (Note 12)
Subsequent Events (Note 13)
Comparative Figures (Note 14)

The accompanying notes and schedules are an integral part of these Financial Statements.

Consolidated Statement of Operations and Accumulated Deficits

for the fiscal year ended March 31, 2004

($ thousands)

	2004 Actual	2003 Actual (as restated)
Revenue (Schedule 1)		
Provincial Sources	$ 3,367,102	$ 3,152,548
Federal Sources	1,885,833	1,785,190
Prior Years' Adjustments – Federal/Provincial Fiscal Arrangements	142,881	(21,909)
Federal Tax Collection Agreement Error (Note 8)	—	35,000
Other Revenue	476,982	523,713
Sinking Fund and Public Debt Retirement Fund Earnings	183,623	198,454
Total Revenue	6,056,421	5,672,996
Net Expenses (Schedule 2)		
Agriculture and Fisheries	42,573	41,440
Community Services	677,648	684,795
Education	1,223,544	1,184,357
Assistance to Universities	212,804	206,762
Energy	6,433	7,798
Environment and Labour	64,222	62,162
Finance	12,452	13,685
Health	2,357,196	2,168,212
Justice	92,014	89,333
Natural Resources	61,483	58,781
Public Service	186,861	146,015
Service Nova Scotia and Municipal Relations	90,698	98,048
Tourism and Culture	40,681	41,954
Transportation and Public Works	229,708	253,442
Restructuring Costs	5,240	(1,359)
Pension Valuation Adjustment	(14,536)	(151,886)
Loss (Gain) on Disposal of Crown Assets	(3,686)	1,388
Debt Servicing Costs (Note 10)	1,070,575	1,079,989
Total Net Expenses	6,355,910	5,984,916
Deficit from Governmental Units, on an Expense Basis	(299,489)	(311,920)
Net Income from Government Business Enterprises (Schedule 4)	333,342	338,399
Surplus before Unusual Items, on an Expense Basis	33,853	26,479
Unusual Items (Note 3)	8,734	1,358
Provincial Surplus, on an Expense Basis	42,587	27,837
Accumulated Deficits, Beginning of Year:		
As Previously Reported	(9,261,348)	(9,292,954)
Accounting Changes (Note 2)	(20,129)	(16,360)
As Restated	(9,281,477)	(9,309,314)
Accumulated Deficits, End of year	$ (9,238,890)	$ (9,281,477)

The accompanying notes and schedules are an integral part of these Financial Statements.

Statement 3

Consolidated Statement of Change in Net Direct Debt

for the fiscal year ended March 31, 2004

($ thousands)

		2004 *Actual*		*2003* *Actual* (as restated)
Net Direct Debt, Beginning of Year:				
As Previously Reported	$	(12,205,842)	$	(12,127,966)
Accounting Changes (Note 2)		(20,129)		(16,360)
As Restated		(12,225,971)		(12,144,326)
Changes in the Year				
Provincial Surplus, on an Expense Basis		42,587		27,837
Acquisition of Tangible Capital Assets		(330,531)		(307,665)
Amortization of Tangible Capital Assets		185,193		191,189
Disposals and other Adjustments to Tangible Capital Assets		1,346		7,099
Increase in Inventories of Supplies		(2,047)		(259)
Decrease (Increase) in Prepaid Expenses		(2,587)		154
Total Changes in the Year		(106,039)		(81,645)
Net Direct Debt – End of Year	$	(12,332,010)	$	(12,225,971)

The accompanying notes and schedules are an integral part of these Financial Statements.

Statement 4

Consolidated Statement of Cash Flow

for the fiscal year ended March 31, 2004

($ thousands)

	2004	2003 (as restated)
Cash Inflow (Outflow) from the following activities:		
Operating:		
Provincial Surplus, on an Expense Basis	$ 42,587	$ 27,837
Sinking Fund and Public Debt Retirement Fund Earnings	(183,623)	(198,454)
Foreign Exchange Amortization	(7,260)	(3,406)
Amortization of Tangible Capital Assets	185,193	191,189
Net Income from Government Business Enterprises	(333,342)	(338,399)
Profit Distributions from Government Business Enterprises	326,788	330,166
Net Change in Other Items (Note 11)	253,220	(20,589)
	283,563	(11,656)
Investing:		
Repayment of Loans	122,683	167,018
Advances and Investing	(152,030)	(183,450)
	(29,347)	(16,432)
Capital:		
Acquisition of Tangible Capital Assets	(330,531)	(307,665)
Disposal of Tangible Capital Assets - NBV	1,346	7,099
	(329,185)	(300,566)
Financing:		
Debentures Issued	931,419	934,714
Foreign Currency Swaps and Adjustments	32,337	362
Sinking Fund Installments	(58,814)	(235,089)
Proceeds from Sinking Funds for Debt Repayment	718,597	976,840
Repayment of Debentures and Other Long-term Obligations	(1,275,711)	(2,360,381)
	347,828	(683,554)
Cash (Outflows) Inflows	272,859	(1,012,208)
Cash Position, Beginning of Year	266,113	1,278,321
Cash Position, End of Year	$ 538,972	$ 266,113
Cash Position Represented by:		
Cash and Short-Term Investments	$ 538,972	$ 266,113

The accompanying notes and schedules are an integral part of these Financial Statements.

Revenue

for the fiscal year ended March 31, 2004

($ thousands)

	2004	*2003*
Provincial Sources		
Income Taxes	$ 1,582,781	$ 1,558,625
Sales Taxes	1,421,503	1,324,866
Other Provincial Revenue	362,818	269,057
	3,367,102	3,152,548
Federal Sources		
Equalization Payments	1,114,487	1,125,088
Canada Health and Social Transfer	686,853	605,117
Other Federal Payments	84,493	54,985
	1,885,833	1,785,190
Prior Years' Adjustments – Federal/Provincial Fiscal Arrangements		
Provincial Sources	142,881	(23,833)
Federal Sources	—	1,924
	142,881	(21,909)
Federal Tax Collection Agreement Error (Note 8)	—	35,000
Other Revenue	476,982	523,713
Sinking Fund and Public Debt Retirement Fund Earnings	183,623	198,454
Total Revenue	$ 6,056,421	$ 5,672,996

Net Expenses

for the fiscal year ended March 31, 2004

($ thousands)

	2004	2003 (as restated)
Agriculture and Fisheries		
Department of Agriculture and Fisheries	$ 42,573	$ 41,440
Nova Scotia Blueberry Institute Fund	—	—
	42,573	41,440
Community Services		
Department of Community Services	606,207	619,256
Mainstream 1992 Fund	—	—
Nova Scotia Housing Development Corporation	71,441	65,539
	677,648	684,795
Education		
Department of Education	213,377	211,616
Annapolis Valley Regional School Board	97,073	94,502
Cape Breton Victoria Regional School Board	121,260	116,324
Chignecto-Central Regional School Board	145,605	144,963
College de l'Acadie	—	4,980
Conseil Scolaire Acadien Provincial	31,442	29,550
Halifax Regional School Board	319,774	304,615
Nova Scotia Community College	125,436	113,815
Nova Scotia Government Acadian Bursary Program Fund	—	—
P3 Schools Capital and Technology Refresh Fund	104	—
School Board Maintenance Stabilization Fund	—	13
Southwest Regional School Board	103,507	99,541
Strait Regional School Board	65,966	64,438
	1,223,544	1,184,357
Assistance to Universities	212,804	206,762
Energy		
Department of Energy	6,433	7,798
Nova Scotia Market Development Initiative Fund	—	—
	6,433	7,798

Net Expenses (continued)

for the fiscal year ended March 31, 2004

($ thousands)

	2004	2003 (as restated)
Environment and Labour		
Department of Environment and Labour	26,524	26,603
Nova Scotia Environmental Trust Fund	—	—
Resource Recovery Fund Board Incorporated	37,698	35,559
	64,222	62,162
Finance		
Department of Finance	10,786	13,413
Nova Scotia Government Fund Limited	1,574	272
Nova Scotia Hurricane Juan Recovery Fund	—	—
Sydney Steel Corporation	—	—
3052155 Nova Scotia Limited	92	—
	12,452	13,685
Health		
Department of Health	899,312	815,401
Annapolis Valley District Health Authority	75,483	69,864
Cape Breton District Health Authority	181,548	173,570
Capital District Health Authority	562,409	517,599
Colchester East Hants Health Authority	44,583	40,149
Cumberland Health Authority	40,013	34,510
Gaming Addiction Treatment Trust Fund	1,202	1,206
Guysborough Antigonish-Strait Health Authority	47,517	45,891
Insured Prescription Drug Plan	133,962	123,669
Izaak Walton Killam Health Centre	139,703	131,727
Nova Scotia Gaming Foundation	632	946
Nova Scotia Health Research Foundation	4,941	5,166
Pictou County Health Authority	49,813	45,027
Provincial Drug Distribution Program	61,298	57,004
South Shore District Health Authority	49,813	47,332
South West Nova District Health Authority	64,967	59,151
	2,357,196	2,168,212
Justice		
Department of Justice	77,759	75,880
CorFor Capital Repairs and Replacement Fund	—	—
Nova Scotia Legal Aid Commission	14,255	13,453
	92,014	89,333

Net Expenses (continued)

for the fiscal year ended March 31, 2004

($ thousands)

	2004	2003 (as restated)
Natural Resources		
Department of Natural Resources	58,766	55,290
Acadia Coal Company Limited Fund	21	10
Coal Research Agreement Fund	---	150
Crown Land Mine Remediation Fund	---	---
Crown Land Silvaculture Fund	---	---
Nova Scotia E 911 Cost Recovery Fund	2,591	3,247
Habitat Conservation Fund	105	84
Partnership Trust Fund	---	---
Scotia Benefits Fund	---	---
Species-at-Risk Conservation Fund	---	---
Sustainable Forestry Fund	---	---
	61,483	58,781
Public Service		
Public Service	137,247	93,695
Nova Scotia Business Incorporated	26,508	28,230
Nova Scotia Film Development Corporation	3,629	3,155
Nova Scotia Innovation Corporation	5,077	5,676
Trade Centre Limited	12,119	13,158
Waterfront Development Corporation Limited	2,281	2,101
	186,861	146,015
Service Nova Scotia and Municipal Relations		
Department of Service Nova Scotia and Municipal Relations	90,396	97,133
Nova Scotia Coordinate Referencing System Trust Fund	---	---
Nova Scotia Municipal Finance Corporation	302	915
	90,698	98,048
Tourism, Culture and Heritage		
Department of Tourism, Culture and Heritage	37,948	38,326
Art Gallery of Nova Scotia	2,733	3,628
	40,681	41,954
Transportation and Public Works	229,708	253,442
Restructuring Costs	5,240	(1,359)

Net Expenses (continued)

For the fiscal year ended March 31, 2004

($ thousands)

	2004	2003 (as restated)
Pension Valuation Adjustment	(14,536)	(151,886)
Loss (Gain) on Disposal of Crown Assets	(3,686)	1,388
Debt Servicing Costs		
Consolidated Fund	1,020,496	1,030,368
Annapolis Valley District Health Authority	280	229
Annapolis Valley Regional School Board	496	438
Cape Breton District Health Authority	901	641
Cape Breton Victoria Regional School Board	270	236
Capital District Health Authority	4,542	3,898
Chignecto-Central Regional School Board	1,066	938
Colchester East Hants Health Authority	185	125
College de l'Acadie	—	18
Conseil Scolaire Acadien Provincial	130	116
Cumberland Health Authority	121	118
Guysborough Antigonish-Strait Health Authority	241	252
Halifax Regional School Board	3,120	2,730
Izaak Walton Killam Health Centre	546	426
Nova Scotia Business Incorporated	75	—
Nova Scotia Government Fund Limited	750	294
Nova Scotia Housing Development Corporation	30,943	30,931
Nova Scotia Municipal Finance Corporation	4,781	6,847
Pictou County Health Authority	210	153
Resource Recovery Fund Board	8	26
South Shore District Health Authority	220	148
South West Nova District Health Authority	322	206
Southwest Regional School Board	365	320
Strait Regional School Board	273	251
Waterfront Development Corporation Limited	234	280
	1,070,575	1,079,989
Total Net Expenses	$ 6,355,910	$ 5,984,916

Loans and Investments

as at March 31, 2004

($ thousands)

	Loans and Investments	*Provisions*	*Net 2004*	*Net 2003*
Loans of the Consolidated Fund:				
Agriculture and Rural Credit Act	$ 175,451	$ 7,082	$ 168,369	$ 162,848
Fisheries Development Act	71,774	673	71,101	67,310
Housing Development Corporation Act	49,573	19,379	30,194	21,555
Industrial Development Act	48,028	24,809	23,219	27,622
Venture Corporations Act	809	809	—	—
Loans to Municipalities:				
Municipal Loan and Building Fund Act	793	—	793	1,001
Special Reserve Fund – Municipal Loan and Building Fund	2	—	2	4
Halifax-Dartmouth Bridge Commission	23,000	—	23,000	23,000
Miscellaneous	709	—	709	709
	370,139	52,752	317,387	304,049
Loans of Governmental Units:				
Nova Scotia Business Incorporated	162,382	51,732	110,650	117,463
Nova Scotia Innovation Corporation	24	—	24	310
Nova Scotia Municipal Finance Corporation	492,003	—	492,003	479,822
Other Government Units	122	—	122	119
	654,531	51,732	602,799	597,714
Total Loans	$ 1,024,670	$ 104,484	$ 920,186	$ 901,763
Investments of the Consolidated Fund:				
Housing Development Corporation Act	6,725	1,887	4,838	3,000
Industrial Development Act	8,394	3,050	5,344	6,193
	15,119	4,937	10,182	9,193
Investments of Governmental Units:				
Art Gallery of Nova Scotia	2,032	—	2,032	2,358
Insured Prescription Drug Plan	5,392	—	5,392	5,693
Nova Scotia Business Incorporated	14,897	5,097	9,800	7,217
Nova Scotia Innovation Corporation	17,520	—	17,520	9,541
	39,841	5,097	34,744	24,809
Total Investments	$ 54,960	$ 10,034	$ 44,926	$ 34,002
Total Loans and Investments	$ 1,079,630	$ 114,518	$ 965,112	$ 935,765

The Provisions listed above include amounts for possible guarantee payouts related to the Industrial Development Act $766 (2003 - $566), the Housing Development Corporation Act $10,006 (2003 - $10,324) and Nova Scotia Business Incorporated $1,990 (2003 - $2,596).

Also included in Provisions for the Housing Development Corporation Act is $3,200 (2003 - $3,200) for interest fluctuations.

Schedule 4

Government Business Enterprises

as at March 31, 2004

($ thousands)

	2004							2003
	Halifax - Dartmouth Bridge Commission	***Highway 104 Western Alignment Corporation***	***Nova Scotia Gaming Corporation***	***Nova Scotia Liquor Corporation***	***Nova Scotia Resources Limited****	***Nova Scotia Resources Limited Adjustments***	***Total***	***Total***
Cash	$ 14,289	$ 651	$ 19,883	$ 5,585	$ ---	$ ---	$ 40,408	$ 42,715
Accounts Receivable	208	72	---	1,620	---	---	1,900	15,742
Inventory	---	12	2,135	30,950	---	---	33,097	29,910
Tangible Capital Assets	71,439	109,779	123,142	13,469	---	---	317,829	339,516
Other Assets	31,086	20,914	7,054	2,614	—	—	61,668	51,132
Total Assets	117,022	131,428	152,214	54,238	—	—	454,902	479,015
Accounts Payable	1,469	622	1,451	32,056	---	---	35,598	34,689
Long-term Debt	123,000	82,853	101,670	7,250	---	---	314,773	335,121
Other Liabilities	4,303	49,580	49,093	14,932	—	—	117,908	129,136
Total – Liabilities	128,772	133,055	152,214	54,238	---	---	468,279	498,946
Deficit	(11,750)	(1,627)	—	—	—	—	(13,377)	(19,931)
Total Liabilities and Deficit	$ 117,022	$ 131,428	$ 152,214	$ 54,238	$ —	$ —	$ 454,902	$ 479,015
Revenue	$ 24,655	$ 15,475	$ 485,509	$ 441,681	$ 6,088	$ (6,088)	$ 967,320	$ 945,732
Expenses	10,669	5,366	319,831	272,953	(1,102)	1,102	608,819	580,522
Debt Servicing	7,552	8,444	7,187	1,976	—	—	25,159	26,811
Total Expenses	18,221	13,810	327,018	274,929	(1,102)	1,102	633,978	607,333
Net Income	$ 6,434	$ 1,665	$ 158,491	$ 166,752	$ 7,190	$ (7,190)	$ 333,342	$ 338,399

* Note: Nova Scotia Resources Limited was disposed in October 2003.

Schedules to the Consolidated Financial Statements

Government Business Enterprises (continued)
as at March 31, 2004

Halifax-Dartmouth Bridge Commission

The Commission is incorporated by Special Statute of the Province of Nova Scotia. The purpose of the Commission is to construct, maintain and operate bridges and their necessary approaches across the Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm. Bridge tolls are regulated by the Nova Scotia Utility and Review Board, a provincially controlled public sector entity. The Commission's fiscal year end is December 31. At March 31, 2004, the Commission owed $23 million (2003 - $23 million) to the Province's Consolidated Fund for a revolving line of credit. The Commission records depreciation on bridge assets, buildings and electronic transponders using the straight-line method and uses the declining balance method for all other assets. Included in other assets at December 31, 2003 is a reserve fund in the amount of $27.1 million, (2002 - $20.8 million), $25.4 million (2002 - $19.4 million) of which is restricted for repayment of principal, interest and fees on Toll Revenue Bonds as established under the terms of the trust indenture.

Highway 104 Western Alignment Corporation

The Corporation has been established to finance, design, construct, operate and maintain a 45 km stretch of highway between Masstown and Thompson Station in the counties of Colchester and Cumberland, Nova Scotia. The Province of Nova Scotia retains ownership of the highway. The Corporation is granted the right to operate the highway and collect tolls for a 30-year period, pursuant to an agreement dated April 1, 1996, after which time the right will revert to the Province. In addition, the Corporation has entered into an operating agreement with Atlantic Highways Management Corporation whereby compensation is based on the annual operating budget plus a variable fee. The Corporation's fiscal year end is March 31. The Corporation records depreciation using the sinking fund method. Restricted assets, consisting of short-term investments in the amount of $20.0 million (2003 - $16.2 million), are included in other assets. These reserve accounts were established in accordance with trust indenture agreements between the Corporation and bondholders.

The Province of Nova Scotia contributed $55.0 million toward the construction of the highway, one-half of which was recovered from the Federal Government under the Canada-Nova Scotia Strategic Highway Improvement Program. There were no contributions in the current or previous year.

Nova Scotia Gaming Corporation

The Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The purpose of the Corporation is to develop, undertake, conduct and manage casinos and other lottery business on behalf of the Province. The Corporation's fiscal year end is March 31.

The revenues of the Corporation are derived from two casinos, located in Halifax and Sydney, and ticket and video lottery sales. The net balance owing to the Province at March 31, 2004 was $23.5 million (2003 - $18.6 million).

The Corporation is required to reimburse the operator of the casinos for approved development costs of the Halifax and Sydney casinos. The net present value of the remaining obligations for the casinos is approximately $65.5 million (2003 - $76.4 million).

Unclaimed prizes are retained by the Corporation in a prize fund for one year from the announced beginning date of the draw. At March 31, 2004, this amounted to $5.1 million (2003 - $6.7 million).

Video Lottery Terminal (VLT) retailers in Nova Scotia have agreed, under the terms of their agreements with Atlantic Lottery Corporation Inc., to contribute 1% of their VLT commission to the Nova Scotia Gaming Foundation. The Corporation has agreed to contribute an amount equal to all contributions made by the VLT retailers.

Government Business Enterprises (continued)
as at March 31, 2004

The Corporation has agreed to an annual contribution of $1 million to the Department of Health to provide funds for programs related to problem gambling. The Corporation will provide up to $0.8 million (2004 - $0.8 million) in funds in fiscal 2004-2005 for the harness racing industry in Nova Scotia.

Nova Scotia Liquor Corporation

The Corporation derives its mandate from the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989. The Corporation operates retail sales locations across the province. Its fiscal year end is March 31. The net balance owing to the Province at March 31, 2004 was $3.9 million (2003 - $9.9 million).

Nova Scotia Resources Limited

The Company, a Provincial Crown Corporation, was established to invest in and manage the Province's participation in petroleum, mineral and energy related projects.

The Province has completed its plan to dispose of the business. The Province sold its shares in Nova Scotia Resources Limited on October 22, 2003 for $1.6 million. As a result of this sale, the statement of operations only includes the net earnings for the period January 1, 2003 to October 21, 2003. During the period the Company was owned by the Province, the Company sold certain assets for $5.8 million, resulting in a gain on disposal of $4.4 million (see Note 3 for details), and transferred certain assets and obligations, with a net book value of $8.9 million, to 3052155 Nova Scotia Limited, a Provincial Crown Corporation, at cost.

Unmatured Debt

as at March 31, 2004

($ thousands)

	2004			2003
	Gross Debt	***Sinking Funds and Defeasance Assets***	***Net Debt***	***Net Debt***
Governmental Units				
Consolidated Fund	$ 13,616,560	$ 2,919,796	$ 10,696,764	$ 10,776,863
Nova Scotia Government Fund Limited	21,500	---	21,500	21,500
Nova Scotia Housing Development Corporation	309,465	---	309,465	320,013
Nova Scotia Municipal Finance Corporation	54,987	---	54,987	74,679
Nova Scotia Power Finance Corporation	1,093,150	1,093,150	---	---
Waterfront Development Corporation Limited	4,600	---	4,600	4,900
Other	730	---	730	325
Unmatured Debt of Governmental Units	15,100,992	4,012,946	11,088,046	11,198,280
Government Business Enterprises				
Halifax-Dartmouth Bridge Commission	123,000	25,365	97,635	103,646
Highway 104 Western Alignment Corporation	82,853	---	82,853	82,096
Nova Scotia Gaming Corporation	101,670	---	101,670	122,289
Nova Scotia Liquor Corporation	7,250	---	7,250	7,736
Unmatured Debt of Government Business Enterprises	314,77	25,365	289,408	315,767
Total Unmatured Debt	$ 15,415,765	$ 4,038,311	$ 11,377,454	$ 11,514,047

Notes:

All debt is presented in Canadian dollar equivalents and after giving effect to currency swap contracts itemized in Note 5.

The current and long-term portions of unmatured debt of Governmental Units are shown on the Consolidated Statement of Financial Position with reference to this schedule. Debt of Government Business Enterprises is reflected in the Deficiency in Government Business Enterprises and in further detail in Schedule 4.

All foreign debt is hedged to Canadian dollars with the exception of $1,798.4 million US$ denominated debt. A one cent change in the CDN/US$ foreign exchange rate as of March 31, 2004 would result in a change in long-term debt, and a foreign exchange gain or loss, of $18 million. This hypothetical foreign exchange gain or loss would be amortized starting in 2004-2005. The change in debt service costs for the 2004-2005 fiscal year would be approximately $782,000 due to this foreign exchange gain or loss amortization.

As of March 31, 2004, the Consolidated Fund held Sinking Funds and Public Debt Retirement Funds of $2,919.8 million. These funds were comprised of $2,373.9 million in Canadian assets and $545.9 million in US assets (US $413.6 million converted to CDN$ based on the underlying securities' effective foreign exchange rates). Total market value of both funds is $3,201.1 million at year end. During the year, contributions were $58.8 million, total earnings were $183.6 million and redemptions were $718.6 million.

Unmatured Debt (continued)

as at March 31, 2004

($ thousands)

Sinking fund assets are recorded at cost, which include premiums and discounts associated with the purchase of these investments. These premiums and discounts are amortized on a straight-line basis over the term of the related investment. The unamortized portion of the premiums and discounts are included as part of the value of the sinking funds. As at March 31, 2004, the unamortized net premium was $70.9 million.

Assets consist primarily of debentures of the Provinces and Government of Canada with fixed interest rates ranging from 3.5% to 11.25% for Canadian funds and 4.25% to 9.25% for US funds. For designated sinking funds, payments normally commence on the first anniversary date of the issue of the debenture and are designed to retire the debt over a 20-year period, unless the term of the issue is longer. At year end, the Province held $1,157.1 million worth of its own debentures (gross value of $1,105.2 million) in Sinking Funds and Public Debt Retirement Funds as active investments. These were comprised of $571.7 million in Canadian assets and $585.4 million in US assets.

As per the Nova Scotia Power Corporation Privatization Agreement, Nova Scotia Power Finance Corporation provides for defeasance of its debt. The portfolio of defeasance assets consists of Nova Scotia Power Corporation, other Provincial Governments and utilities, Federal US bonds, coupons or residuals. This debt is shown net of defeasance assets on the Statement of Financial Position.

Payments are projected as follows ($ thousands):

	Governmental Units							*Government Business Enterprises*	*Total*
	Net Principal Repayments by Major Currency (CDN Equivalent)			*Sinking Fund Requirements by Major Currency (CDN Equivalent)*			*Total Commitment*		
	CDN	*US*	*Total*	*CDN*	*US*	*Total*			
2005	$ 1,310,019	$ —	$ 1,310,019	$ 26,219	$ 43,215	$ 69,434	$ 1,379,453	$ 58,758	$ 1,438,211
2006	1,313,949	---	1,313,949	26,219	43,215	69,434	1,383,383	25,986	1,409,369
2007	1,137,861	---	1,137,861	26,219	43,215	69,434	1,207,295	26,698	1,233,993
2008	626,475	---	626,475	26,219	43,215	69,434	695,909	15,049	710,958
2009	310,213	---	310,213	26,219	43,215	69,434	379,647	87,018	466,665
2010 & thereafter	6,163,520	1,255,801	7,419,321	215,637	347,301	562,938	7,982,259	75,899	8,058,158
	$ 10,862,037	$ 1,255,801	$ 12,117,838	$ 346,732	$ 563,376	$ 910,108	$ 13,027,946	$ 289,408	$ 13,317,354

Net principal repayments are comprised of the principal amount due less available designated sinking funds to retire the debenture.

In addition, the Province has approximately $1,939.9 million in unrestricted sinking funds that can be used towards the retirement of any unmatured debt. The use of these funds is evaluated each year based on a detailed analysis of cash requirements.

Gross Long-term Debt

as at March 31, 2004

($ thousands)

Governmental Units:	*Foreign Exchange Rate*	*CDN $ Amount*	*Maturity Dates*	*Interest Rates*
		Debentures		
Consolidated Fund				
Consolidated Fund (CDN$)		$ 10,806,994	2004 to 2033	5.25% to 13.37%
Consolidated Fund (US $1,798,400)	1.3105	2,356,803	2004 to 2022	7.25% to 9.5%
Consolidated Fund (Yen)	0.0126	---	2004 to 2014	4.9% to 5.5%
Consolidated Fund (UK)	2.4116	---	2011 to 2019	11.75% to 16.75%
Consolidated Fund (Euro)	1.6109	---	2007 to 2010	4.475%
Nova Scotia Municipal Finance Corporation		54,987		
Nova Scotia Power Finance Corporation				
Nova Scotia Power Finance Corporation (CDN$)		700,000	2012 to 2031	10.25% to 11.25%
Nova Scotia Power Finance Corporation (US$ 300,000)	1.3105	393,150	2021	9.4%
Total - Debentures		14,311,934		
		Loans		
Consolidated Fund – Other Debt		1,866	2005 to 2011	7% to 8.375%
Nova Scotia Government Fund Limited		21,500	indefinitely	1%
Nova Scotia Housing Development Corporation		309,465	2004 to 2034	4.0% to 21.5%
Waterfront Development Corporation		4,600	Demand Loan	bank prime less 0.95%
Other		154		
Total - Loans		337,585		
		Capital Leases		
Consolidated Fund		450,897	2004 to 2027	4.5% to 11%
Other		576		
Total – Capital Leases		451,473		
Total – Long-term Debt of Governmental Units		$ 15,100,992		
Government Business Enterprises:				
		Debentures		
Halifax-Dartmouth Bridge Commission		$ 100,000	2007	5.95%
Highway 104 Western Alignment Corporation		82,853	2011 to 2026	10.13% to 10.76%
		Loans		
Halifax-Dartmouth Bridge Commission		23,000	2007	floating (line of credit)
Nova Scotia Gaming Corporation		36,160	2007	floating (line of credit)

Gross Long-term Debt (continued)

as at March 31, 2004

($ thousands)

		CDN $ Amount	*Maturity Dates*	*Interest Rates*
		Capital Leases		
Nova Scotia Gaming Corporation		65,510	2005 to 2008	12%
Nova Scotia Liquor Corporation		7,250	2012	13.8%
Total – Long-term Debt of Government Business Enterprises	$	**314,773**		
Total Gross Long-term Debt	$	**15,415,765**		

Call, Redemption and Other Features:

Consolidated Fund
Canadian debentures include the following redeemable issues:

- $1,079.4 million in CPP debentures which are redeemable in whole or in part before maturity, on six months notice, at the option of the Minister of Finance of Canada;
- $150 million, redeemable in whole or in part, on 30 days notice on July 3, 2005, or on any interest payment date thereafter, at the option of the Province;
- $150 million, redeemable in whole or in part, on 30 days notice on December 12, 2005, or on any interest payment date thereafter, at the option of the Province;
- $205 million in medium-term promissory notes, redeemable in whole but not in part, on the initial redemption date and on each redemption date thereafter, on 15 days notice, at the option of the Province.

Japanese Yen debentures include 15,000 million yen, redeemable in whole but not in part, on not less than 30 days notice nor more than 60 days notice on August 25, 2004 or on August 25, 2009. This debenture has been fully converted to Canadian equivalents via derivative instruments. This option was exercised by the Province subsequent to year end.

The interest rates shown for the Canadian and US debentures reflect the fixed rates only. There are debentures that have floating and step-up rates. Floating interest rates are adjusted on either a monthly or quarterly basis. Step-up rates are adjusted per the individual promissory note step-up schedules.

Housing Development Corporation
Mortgages and notes payable are secured by an assignment of mortgages receivable and investments in social housing.

Highway 104 Western Alignment Corporation
In relation to its senior toll bonds, the Corporation has provided an assignment of all the present and future property and assets, including rights to operate the facility, and a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.

In relation to its junior toll bonds, the Corporation has assigned a second charge security interest in all security pledged to the senior toll revenue bondholders.

Halifax-Dartmouth Bridge Commission
The Commission's toll bonds are secured by an assignment of the Commission; subject to the prior payment of operating, maintenance and administrative expenses, and the maintenance of certain reserve funds by the Commission.

Tangible Capital Assets

as at March 31, 2004

($ thousands)

	2004									2003
	Land	*Buildings and Land Improvements*	*Machinery, Computers and Equipment*	*Ferries*	*Vehicles*	*Capital Leases*	*Roads, Bridges and Highways*	*Social Housing*	*Total*	*Total*
Cost of Tangible Capital Assets										
Opening Costs	$ 514,708	$ 2,008,441	$ 674,124	$ 9,282	$ 43,649	$ 519,619	$ 430,832	$ 374,851	$ 4,575,506	$ 4,302,220
Additions	18,959	138,613	66,484	4,134	6,189	2,702	93,450	---	330,531	307,665
Annual Adjustment to Social Housing	---	---	---	---	---	---	---	(10,023)	(10,023)	(9,564)
Disposals	(1)	(34)	(8,553)	—	(169)	(2,036)	—	(1,039)	(11,832)	(24,815)
Closing Costs	533,666	2,147,020	732,055	13,416	49,669	520,285	524,282	363,789	4,884,182	4,575,506
Accumulated Amortization										
Opening Accumulated Amortization	---	(837,237)	(464,217)	(8,704)	(29,309)	(97,791)	(218,212)	---	(1,655,470)	(1,491,561)
Disposals	---	34	8,366	---	148	2,022	---	---	10,570	17,716
Amortization Expense	—	(51,792)	(61,963)	(133)	(4,329)	(31,146)	(25,891)	—	(175,254)	(181,625)
Closing Accumulated Amortization	---	(888,995)	(517,814)	(8,837)	(33,490)	(126,915)	(244,103)	---	(1,820,154)	(1,655,470)
Net Book Value	$ 533,666	$ 1,258,025	$ 214,241	$ 4,579	$ 16,179	$ 393,370	$ 280,179	$ 363,789	$ 3,064,028	$ 2,920,036
Opening Balance	$ 514,708	$ 1,171,204	$ 209,907	$ 578	$ 14,340	$ 421,828	$ 212,620	$ 374,851	$ 2,920,036	$ 2,810,659
Closing Balance	533,666	1,258,025	214,241	4,579	16,179	393,370	280,179	363,789	3,064,028	2,920,036
Increase (Decrease) in Net Book Value	$ 18,958	$ 86,821	$ 4,334	$ 4,001	$ 1,839	$ (28,458)	$ 67,559	$ (11,062)	$ 143,992	$ 109,377

Amortization is calculated on a declining balance basis for assets of the Consolidated Fund. The amortization percentages of the more common tangible capital assets are: buildings (5%); machinery, computers and equipment (15-50%); ferries (15%); vehicles (20-35%); and roads, bridges and highways (5-15%). Capital leases are amortized on a straight-line basis over the length of each lease. The review of the Province's TCA Policy resulted in the implementation of revised amortization rates and thresholds for various asset classes effective April 1, 2003 on a prospective basis. The financial impact of the TCA Policy review may be found in Note 2 of these consolidated financial statements.

Amortization is generally calculated on a straight-line basis for assets of entities consolidated with the Consolidated Fund. The estimated useful lives of the more common tangible capital assets are: buildings (including leasehold improvements) and land improvements (2-50 years); machinery, computers and equipment (3-20 years); and vehicles (5 years). Capital leases are amortized on a straight-line basis, generally over a 5 to 20 year term.

Social Housing Assets relate to the Housing Development Corporation. This entity does not track accumulated amortization separately so the closing cost of these assets is the net carrying value of the assets. Social Housing assets are amortized using the sinking fund method.

Included in the closing costs of the various classes as of March 31, 2004, are costs for assets under construction, which have not started to be amortized. These costs ($ thousands) are buildings - $69,112; machinery, computers and equipment - $13,100; vehicles - $75; capital leases - $760; and roads, bridges and highways - $12,868.

Included in Capital Leases are buildings – cost $470,499, accumulated amortization ($100,545); machinery, computers and equipment – cost $37,965, accumulated amortization ($20,631); and vehicles – cost $11,821, accumulated amortization ($5,739).

Schedules to the Consolidated Financial Statements

Direct Guarantees

as at March 31, 2004

($ thousands)

	Authorized	Utilized	
	2004	**2004**	**2003**
Bank Loans:			
Nova Scotia Business Incorporated	$ 2,625	$ 2,605	$ 4,301
Industrial Development Act	144,161	130,846	102,866
Nova Scotia Fisheries and Aquaculture Loan Board	370	213	2,253
Department of Education – Student Loan Program	119,104	119,104	92,442
Total – Bank Loan Guarantees	266,260	252,768	201,862
Promissory Notes:			
3052155 Nova Scotia Limited to Canada-Nova Scotia Offshore Petroleum Board	17,500	17,500	—
Nova Scotia Resources Limited to Canada-Nova Scotia Offshore Petroleum Board	—	—	17,500
Total – Promissory Note Guarantees	17,500	17,500	17,500
Mortgages:			
Housing Development Corporation Act	14,838	14,838	26,507
Housing Development Corporation Act - CMHC Indemnities	162,036	162,036	171,741
Provincial Finance Act	346	346	448
Total – Mortgage Guarantees	177,220	177,220	198,696
Other Guarantees:			
Nova Scotia Government Fund	15,300	15,300	7,300
Sydney Steel Corporation – Performance bonds (Includes US$ component $122,228)	520	520	543
Trade Centre Limited	400	400	400
Total – Other Guarantees	16,220	16,220	8,243
Total – Direct Guarantees	$ 477,200	$ 463,708	$ 426,301
Less: Provision for Guarantee Payout:			
Industrial Development Act		(766)	(566)
Nova Scotia Business Incorporated		(1,990)	(2,596)
Department of Education – Student Loan Program		(21,400)	(19,900)
Housing Development Corporation Act		(10,006)	(10,324)
Nova Scotia Resources Limited		—	(11,832)
3052155 Nova Scotia Limited		(9,100)	—
		(43,262)	(45,218)
Net Direct Guarantees not provided for in these statements		$ 420,446	$ 381,083

Government Reporting Entity

As at March 31, 2004

Listed below are the governmental units, government business enterprises and government partnership arrangements that comprise the government reporting entity.

Governmental Units

(Consolidation Method)

- Acadia Coal Company Limited Fund
- AgraPoint International Inc.
- AgriTECH Park Inc.
- Annapolis Valley District Health Authority
- Annapolis Valley Regional School Board
- Art Gallery of Nova Scotia
- Bioscience Enterprise Centre Incorporated
- Cape Breton District Health Authority
- Cape Breton Victoria Regional School Board
- Capital District Health Authority
- Check Inns Limited (inactive)
- Chignecto-Central Regional School Board
- Coal Research Agreement Fund
- Colchester East Hants Health Authority
- Conseil Scolaire Acadien Provincial
- Consolidated Fund (1)
- CorFor Capital Repairs and Replacements Fund
- Crown Land Mine Remediation Fund
- Crown Land Silvaculture Fund
- Cumberland Health Authority
- Gaming Addiction Treatment Trust Fund
- Guysborough Antigonish-Strait Health Authority
- Habitat Conservation Fund
- Halifax Regional School Board
- Industrial Expansion Fund
- Insured Prescription Drug Plan Trust Fund
- Izaak Walton Killam Health Centre
- Law Reform Commission
- Mainstream 1992 Fund
- Muggah Creek Remediation Fund
- Nova Scotia Arts Council (inactive)
- Nova Scotia Blueberry Institute Fund
- Nova Scotia Business Incorporated
- Nova Scotia Community College
    - Nova Scotia Community College Foundation
- Nova Scotia Coordinate Referencing System Trust Fund
- Nova Scotia Crop and Livestock Insurance Commission
- Nova Scotia Environmental Trust
- Nova Scotia E911 Cost Recovery Fund
- Nova Scotia Farm Loan Board
- Nova Scotia Film Development Corporation
- Nova Scotia Fisheries and Aquaculture Loan Board
- Nova Scotia Gaming Foundation
- Nova Scotia Government Acadian Bursary Program Fund
- Nova Scotia Government Fund Limited
- Nova Scotia Harness Racing Incorporated
- Nova Scotia Health Research Foundation
- Nova Scotia Housing Development Corporation
    - Annapolis Valley Housing Authority
    - Cape Breton Island Housing Authority
    - Cobequid Housing Authority
    - Eastern Mainland Housing Authority
    - Metropolitan Regional Housing Authority
    - South Shore Housing Authority
    - Tri-County Housing Authority
- Nova Scotia Hurricane Juan Recovery Fund
- Nova Scotia Innovation Corporation
    - 1402998 Nova Scotia Limited
    - 3039966 Canada Limited (80% ownership)
- Nova Scotia Legal Aid Commission
- Nova Scotia Market Development Initiative Fund
- Nova Scotia Municipal Finance Corporation
- Nova Scotia Power Finance Corporation
- Nova Scotia Primary Forest Products Marketing Board
- Nova Scotia School Boards Association (2)
- Nova Scotia Utility and Review Board

(1) – Includes all departments and public service units of the Nova Scotia Provincial Government.

(2) – Entity is a partnership controlled by the seven school boards.

Governmental Reporting Entity (continued)

As at March 31, 2004

Governmental Units (continued)
(Consolidation Method)

- P3 Schools Capital and Technology Refresh Fund (3)
- Partnership Trust Fund
- Pictou County Health Authority
- Provincial Community Pastures Board (inactive)
- Provincial Drug Distribution Program
- Public Archives of Nova Scotia
- Resource Recovery Fund Board Incorporated
  - Novapet Inc (40.8% ownership)
- Rockingham Terminal Incorporated (inactive)
- Scotia Benefit Fund
- Sherbrooke Restoration Commission
- South Shore District Health Authority
- South West Nova District Health Authority
- Southwest Regional School Board
- Species-at-risk Conservation Fund
- Strait Regional School Board
- Sustainable Forestry Fund
- Sydney Environmental Resources Limited
- Sydney Steel Corporation
- Sysco Decommissioning Fund
- Tidal Power Limited (inactive)
- Trade Centre Limited
  - Maritime Fall Fair Association
- Upper Clements Family Theme Park Limited
- Waterfront Development Corporation Limited
- 3052155 Nova Scotia Limited

Government Business Enterprises
(Modified Equity Method)

- Halifax-Dartmouth Bridge Commission
- Highway 104 Western Alignment Corporation
- Nova Scotia Gaming Corporation
  - Atlantic Lottery Corporation (25% ownership)
  - Interprovincial Lottery Corporation (10% ownership)
- Nova Scotia Liquor Corporation
- Nova Scotia Resources Limited (disposed October 2003)
  - Canadian Offshore Resources Exploration Limited
  - Nova Scotia Resources Exploration Limited
  - Nova Scotia Resources (U.S.) Limited
  - Nova Scotia Resources (Ventures) Limited
  - Ventures Exploration Program Limited Partnership
  - Venwest Resources Limited
  - 1752135 Nova Scotia Limited
  - 1752148 Nova Scotia Limited

Government Partnership Arrangements
(Proportionate Consolidation Method)

- Atlantic Provinces Special Education Authority (approximately 55% share)
- Canada-Nova Scotia Offshore Petroleum Board (50% share)
- Canadian Blood Services (approximately 4% share)
- Canadian Sports Centre Atlantic (approximately 8% share)
- Council of Atlantic Premiers (approximately 45% share)

(3) – This includes all refresh funds related to P3 schools.

Province of Nova Scotia

Notes to the Consolidated Financial Statements

March 31, 2004

1. FINANCIAL REPORTING AND ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, that for purposes of the Province's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA and International Federation of Accountants accounting standards or pronouncements.

These consolidated financial statements have been prepared using the following significant accounting policies:

a) The Government Reporting Entity

The Government Reporting Entity is comprised of the Consolidated Fund, other Governmental Units, Government Business Enterprises and Government Partnership Arrangements. Governmental Units and Government Business Enterprises represent the entities that are controlled by the government. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend legislation or agreements. Government Partnership Arrangements represent entities for which decision making and significant risks and benefits are shared with other parties outside of the Government Reporting Entity.

Trusts administered by the Province are excluded from the reporting entity and are disclosed separately on the Statement of Financial Position for information purposes only.

b) Principles of Consolidation

A Governmental Unit is a government organization that is not a Government Business Enterprise. Governmental Units include government departments, public service votes, funds, agencies, service organizations, boards, government not-for-profit organizations and government business-type organizations. The accounts of Governmental Units are consolidated on a line-by-line basis after adjusting the accounting policies to be consistent with those described in Note 1 (c), with the exception of Tangible Capital Assets. Significant inter-organization accounts and transactions are eliminated.

A Government Business Enterprise is a self-sustaining organization that has the financial and operating authority to sell goods and services to individuals and non-government organizations as its principal activity and source of revenue. Government Business Enterprises have been accounted for on the modified equity basis which does not require any accounting policy adjustments. The net equity of the Government Business Enterprises is included in the Statement of Financial Position. The net income is shown as a separate item in the Statement of Operations.

A Government Partnership is a contractual arrangement between the government and a party or parties outside the reporting entity. The partners have significant clearly defined common goals, make a financial investment in the partnership, share control of decision making, and share, on a equitable basis, the significant risks and benefits associated with the operations of the government partnership. Where significant, government's interest in partnerships is accounted for on the proportionate modified equity basis.

A complete listing of the organizations within the Government Reporting Entity is provided in Schedule 9.

Financial results from fiscal year end to March 31, 2004, for Government Business Enterprises whose fiscal year ends are not March 31, were not significant to these consolidated financial statements so they have not been adjusted. Other adjustments have been made, as noted on Schedule 4, regarding Nova Scotia Resources Limited.

c) Significant Accounting Policies

Revenues

Revenues are recorded on the accrual basis. The main components of revenue are interest, various taxes and legislated levies. Revenues from Personal and Corporate Income Taxes, Harmonized Sales Taxes, Federal Equalization payments and the Canada Health and Social Transfers (CHST) are accrued in the year earned based upon estimates using statistical models. These federal revenues are recorded at the net amount estimated, after considering adjustments for tax credits and administrative costs related to the collection and processing performed by the federal government.

Net Expenses

Net expenses are recorded on the accrual basis and include the cost of supply inventories purchased during the year by the Consolidated Fund. Net expenses include recoveries and fees that are directly related to the expenses and are not normally considered to be revenues. Recoveries and fees may include insignificant amounts from Governmental Units. Gross expenses, before the impact of recoveries, are reported in Note 9 – Net Expenses By Object. Grants are recognized in the period during which both payment is authorized and any eligibility criteria are met. Provisions are made for probable losses on certain loans, investments, loan guarantees, accounts receivable, advances, forgivable loans and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Financial Assets

Cash and Short-term Investments are recorded at cost which approximates market value. Investments are R-1 (low, mid, high) rated Federal and Provincial Government Bills or Promissory Notes, Bankers' Acceptance, term deposits and commercial paper are generally for terms of 1 to 90 days. The average interest rate is 2.24% at year end.

Accounts Receivable and Advances are recorded at the principal amount less valuation allowances.

Inventories for Resale are held for sale in the ordinary course of operations and are recorded at the lower cost and net realizable value.

Loans are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of issuance of the loan. Any loan write offs must be approved by the Governor-in-Council. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

Investments are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of issuance of the investment. Any write-down of an Investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

Liabilities

Bank Advances and Short-term Borrowings have initial maturities of one year or less and are recorded at cost which approximates market value. Short-term Borrowings had a weighted average interest rate of 2.23% at year-end on Canadian dollar borrowings.

Unmatured Debt consists of debentures and various loans in Canadian and foreign currencies and capital leases. Debt is recorded at par, net of sinking funds.

Sinking Fund and Public Debt Retirement Fund investments are recorded at cost and consist primarily of debentures of the Province of Nova Scotia, other provincial governments and the Government of Canada. Premiums and discounts on sinking funds are deferred and amortized over the life of the investment. Amortization and realized gains and losses for premiums and discounts relating to sinking fund balances and installments are netted against sinking fund earnings.

Unamortized Foreign Exchange Translation Gains and Losses result when debentures payable in foreign currencies, accrued interest thereon, and sinking funds invested in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at March 31. Foreign exchange gains and losses on the translation of foreign currency are amortized on a straight-line basis over the remaining term of the related monetary issue.

Premiums and Discounts, as well as underwriting commissions relating to the issuance of debentures, are deferred and amortized over the term of the related investment. Amortization and realized foreign exchange gains and losses, premiums and discounts relating to debt balances and serial retirements are charged to debt servicing costs. Amortization and realized foreign exchange gains and losses relating to sinking fund balances and installments are netted against sinking fund earnings.

Pension, Retirement and Other Obligations include various employee future benefit plans. Pension liabilities for defined benefit plans are calculated using the projected benefit actuarial method using accounting assumptions that reflect the Province's best estimates of performance over the long-term. The projected benefit actuarial method attributes the estimated cost of retirement benefits to the periods of employee service. The net pension liability represents accrued pension benefits less the market related value of pension assets (if applicable) and the balance of unamortized experience gains and losses. The market related values are determined in a rational and systematic manner so as to recognize asset market value gains and losses over a five-year period. The pension benefit plan for the majority of health sector employees is offered by a multi-employer plan administrator and is not sponsored by the Province. Employer contributions to this plan are expensed in the period paid. The accrued benefit asset (liability) of this plan is not recognized in these financial statements.

Net Direct Debt

Net Direct Debt represents the direct liabilities of the Province less financial assets and unamortized foreign exchange translation gains and losses and premiums and discounts on outstanding debenture issues.

Non-Financial Assets

Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production of supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at net historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Tangible Capital Assets include land, buildings, major equipment and software, vehicles, ferries, roads, highways, and bridges. Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water and mineral resources or works of art and historical treasures. Tangible capital assets are amortized to expense over the useful lives of the assets. The amortization methods and rates selected by entities other than the Consolidated Fund are not adjusted to the methods and rates used by the Consolidated Fund.

Inventories of Supplies are held for consumption or use by the Province in the course of its operations. All entities, with the exception of the Consolidated Fund which continues to expense Inventories of Supplies in the year purchased, record inventory at the lower of cost and net realizable value.
Prepaid Expenses are cash disbursements for goods or services, other than Tangible Capital Assets and Inventories of Supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Accumulated Deficits

Accumulated Deficits represent the direct liabilities of the Province less financial assets, non-financial assets and unamortized foreign exchange translation gains and losses and premiums and discounts on outstanding debenture issues. This represents the accumulated balance of net deficits arising from the operations of the Province.

d) Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material difference between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in these financial statements in the accruals for such items as pension, retirement and other obligations, environmental remediation obligations and federal source revenues. The nature of the uncertainty in the accruals for pension, retirement and other obligations arises because actual results may differ significantly from the Province's various assumptions about plan members and economic conditions in the marketplace. Uncertainty exists for environmental remediation obligations because the actual extent of remediation activities required may differ significantly based on the actual extent of site contamination and the chosen remediation process. Uncertainty related to Sales and Income Taxes, Federal Equalization payments and CHST arises because of the possible differences between the estimated and actual economic growth assumptions used in statistical models by the Province to accrue these revenues.

2. ACCOUNTING CHANGES

Accounting changes were made during the year that have increased (decreased) the Provincial Surplus, on an expense basis, Net Direct Debt and Accumulated Deficits as follows ($ millions):

	2003-04			2002-03		
Accounting Changes ($ millions)	**Provincial Surplus, on an expense basis**	**Net Direct Debt (April 1, 2003)**	**Accumulated Deficits (April 1, 2003)**	**Provincial Surplus, on an expense basis**	**Net Direct Debt (April 1, 2002)**	**Accumulated Deficits (April 1, 2002)**
a) Teachers' Salary Accrual	$ (6.1)	$ 14.7	$ 14.7	$ (3.0)	$ 11.7	$ 11.7
b) Public Service Award Plan	3.7	(31.3)	(31.3)	3.5	(27.8)	(27.8)
c) Capital District Health Authority Group Insurance Plan	(4.5)	36.7	36.7	(4.3)	32.4	32.4
d) Tangible Capital Assets	23.8	—	—	—	—	—
Total effect of Accounting Changes	**$ 16.9**	**$ 20.1**	**$ 20.1**	**$ (3.8)**	**$ 16.3**	**$ 16.3**

a) **Teachers' Salary Accrual**

During the year a method to accrue teachers' salaries was introduced. The accrual measures the timing difference between the cost of the teaching days worked versus teaching days paid as of March 31st. The change was adjusted on a retroactive basis.

b) **Public Service Award Plan**

During the year it was discovered that the data file used to measure the plan liability contained members who were not eligible to receive Public Service Awards. The data has been adjusted to remove non-eligible members. The plan liability has been remeasured and adjusted on a retroactive basis.

c) **Capital District Health Authority Group Insurance Plan**

The Capital District Health Authority offers health and insurance benefits to certain employees upon retirement. The obligation for this plan was valued and recorded on a retroactive basis to correct amounts previously reported.

d) **Tangible Capital Assets**

During the year certain amortization rates and capitalization thresholds were changed to better match the recognition of amortization expense over the useful life of each tangible capital asset. The change was adjusted on a prospective basis.

3. UNUSUAL ITEMS

The Unusual Items disclosed on the Statement of Operations represent accounting provisions established or adjusted for the sale of certain assets from discontinued operations and infrequent events or transactions not in the normal course of activities of the Province.

The provisions are comprised of the following:

	2004	2003 (as restated)
	($ millions)	
Nova Scotia Resources Limited		
Proceeds on disposal of shares	$ 1.6	$ —
Proceeds on sale of assets	5.8	3.3
Net book value of assets	(1.5)	(3.4)
Interest and revenue adjustments	—	0.8
Costs related to sale	—	(0.5)
Other earnings (loss) on operations	2.8	(0.3)
Forfeiture of deposit on share sale agreement	—	1.4
	$ 8.7	$ 1.3

Nova Scotia Resources Limited (NSRL)

Most of the Company's assets were sold during 2000-01 for proceeds of $355 million. The Company continued to sell less significant assets during the year. The shares of NSRL were sold in October 2003 for $1.6 million.

4. RESTRICTED CASH AND SHORT-TERM INVESTMENTS

As at March 31, 2004, restricted cash and short-term investments of $60.3 million ($70.8 million as at March 31, 2003) have been designated for restricted purposes by parties external to the Province. Restricted cash includes $16.5 million for future housing expenditures from the Nova Scotia Housing Development Corporation; $13.1 million for gas market development from the Nova Scotia Market Development Initiative; and $30.7 million for various other purposes.

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Province is a party to financial instruments with off-balance sheet risk, either to hedge against the risks associated with fluctuations in foreign currency exchange rates or to manage risks associated with interest rate fluctuations. Foreign currency contracts are used to convert the liability for foreign currency borrowing and associated costs into Canadian or US dollars. Interest rate contracts are used to vary the amounts and periods for which interest rates on borrowings are fixed or floating. Interest swap contracts convert certain interest payments from fixed to floating, from floating to fixed, floating to floating or fixed to fixed basis. Foreign exchange contracts include forward and swap agreements. Interest rate contracts include forward rate agreements, swap agreements and options on swaps.

The Province's credit policy is that it only executes derivative transactions with well-rated counter parties. All counter parties are rated equal to or better than the Province.

The Province has executed the following interest and currency swap contracts during the year.

# of Swaps	*Currency*	*Notional Principal*	*Term Remaining*	*Mark to Market **
		($ thousands)	*(years)*	*($ millions)*
122	CDN$	1,601,643	1 to 20	(40.7)
12	US$	1,332,597	15 days to 18	(50.8)
3	UK	143,250	19 – 30 days	27.0
2	Euro	90,000	4 to 6	12.6

* Mark to Market is an indication of the swap's market value as at March 31, 2004. This represents the estimated realizable gain and loss, and is equivalent to the present value of future interest savings and losses based on market conditions as at March 31, 2004. The mark to market values of the currency swaps are reflected in the amounts shown under interest rate swaps.

The Province has also executed several currency swap contracts/forward agreements to convert foreign denominated debt into Canadian or US denominated debt as follows:

Termination Date	*Original Currency*	*Original Principal*	*Current Currency*	*Current Principal*
		($ thousands)		*($ thousands)*
SWAPS:				
April 19, 2004	UK	60,000	US$	98,736
April 30, 2004	UK	23,250	US$	38,261
February 27, 2012	US$	500,000	CDN$	795,000
March 15, 2016	US$	150,000	CDN$	205,725
March 1, 2020	US$	300,000	CDN$	409,200
April 1, 2022	US$	182,597	CDN$	247,967
December 28, 2007	Euro	40,000	CDN$	56,120
February 24, 2010	Euro	50,000	CDN$	72,235
FORWARDS:				
August 25, 2004	YEN	10,000,000	CDN$	133,923
August 25, 2004	YEN	10,000,000	CDN$	133,958
August 25, 2004	YEN	15,000,000	CDN$	201,072
August 25, 2004	YEN	15,000,000	CDN$	199,442

The Province has entered 23 forward agreements to convert future interest payments on foreign debt into Canadian dollars as follows:

Termination Date	*Original Currency*	*Original Principal*	*Current Currency*	*Current Principal*
		($ thousands)		*($ thousands)*
April 1, 2004 to November 15, 2004	US$	124,892	CDN$	167,003

6. PENSION, RETIREMENT AND OTHER OBLIGATIONS

a) Description of Obligations

The Province offers a variety of pension, other retirement, post-employment and special termination benefits. The Province is responsible for adequately funding most of the plans. Except as otherwise noted, the cost of benefits are recognized in the periods the employee provides service. For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Province to pay benefits occurs. The significant plans are detailed as follows:

i) Pension Benefit Plans

The Province sponsors two funded pension plans, the Public Service Superannuation Plan (PSSP) and the Nova Scotia Teachers' Pension Plan (TPP). Both plans are defined benefit-plans with plan assets primarily composed of Canadian and foreign equities, government and corporate bonds, debentures and secured mortgages. The plans are jointly funded with contributions from employees being matched by the Province. Benefits paid upon retirement are based on the employee's length of service, rate of pay and inflation adjustments.

The Province has several unfunded defined pension plans. The majority of these plans do not require contributions from employees. Benefits paid upon retirement are based on the employee's length of service, rate of pay and inflation adjustments.

Employees in the health sector are members of a multi-employer defined benefit pension plan. As the Province does not sponsor this plan, the annual net benefit plan expense is the amount of required contributions provided for employees' services rendered during the year. The accrued benefit asset (liability) of this plan is not recognized in these financial statements. The most recent actuarial valuation was performed on December 31, 2000 and showed a funding excess for the entire plan of $107 million. An extrapolation to December 31, 2003 was performed indicating a funding surplus of $91 million.

ii) Other Retirement Benefit Plans

The Province sponsors two other retirement benefit plans: retirement allowances and retirement health plan benefits. These plans are not funded. Benefits paid upon retirement for retirement allowances are based on the employee's length of service and rate of pay. Health plan benefits vary depending on the collective agreements negotiated with each group. The Province pays 65% and 100% of the cost of health plan benefits for the PSSP and TPP retirees respectively.

iii) Post-Employment Benefits

The Province offers two significant post-employment benefit plans: Self Insured Workers' Compensation and Long-Term Disability. The amount recorded in these financial statements represents the actual amount of benefits paid during the year plus the actuarial estimate of future payments, based on claims ongoing at year-end, in excess of the fair market value of plan assets.

iv) Special Termination Benefits

The Province has offered early retirement incentive programs to members of the PSSP and TPP at various times commencing in 1986 and 1994 respectively. Qualified members were offered additional years of pensionable service if they elected to retire. The cost of these benefits are accrued in the year the employee accepts the early retirement option.

b) Summary of Activity in Defined Benefit Plans

The accrued benefit liability for pensions, retirement and other obligations is comprised of the following:

	2004	2003
	($ thousands)	
Pension Benefit Plans	$ 160,828	$ 199,512
Other Benefit Plans	1,157,503	1,132,875
	$ 1,318,331	$ 1,332,387

The activity during the year is as follows:

	Pension Benefit Plans		Other Benefit Plans	
	2004	2003	2004	2003 (restated)
		($ thousands)		
Projected benefit obligation, beginning of year	$ 7,407,892	$ 7,041,969	$ 1,151,416	$ 1,069,914
Current benefit cost	173,478	168,072	49,137	44,189
Interest cost	588,028	561,293	63,743	64,244
Actuarial (gains) losses	(8,031)	56,646	(33,319)	62,174
Benefit payments	(426,933)	(423,829)	(89,305)	(82,018)
Other	(8,392)	3,741	180	—
Plan amendments	919	—	16,380	(7,087)
Projected benefit obligation, end of year	7,726,961	7,407,892	1,158,232	1,151,416
Market related value of plan assets, beginning of year	6,998,994	6,978,870	22,294	25,417
Expected return on plan assets	562,227	560,023	8,070	(4,967)
Actuarial gains (losses)	(93,980)	(349,895)	—	—
Benefit payments	(426,933)	(423,829)	(89,305)	(82,018)
Other	—	—	(1,571)	(1,500)
Employer contributions	128,098	135,661	86,174	77,815
Employee contributions	104,749	98,164	8,826	7,547
Market related value of plan assets, end of year	7,273,155	6,998,994	34,488	22,294
Funded status, end of year	(453,806)	(408,898)	(1,123,744)	(1,129,122)
Unamortized net actuarial (gains) losses	292,978	209,386	(33,759)	(3,753)
Accrued benefit liability, end of year	($ 160,828)	($ 199,512)	($ 1,157,503)	($ 1,132,875)

c) Actuarial Assumptions

The table below shows significant weighted-average assumptions used to measure pension and other benefit plan obligations.

	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
Long-term inflation rates	3.0%	3.0%	3.0%	3.0%
Expected real rate of return on plan assets	5.0%	5.0%	—	—
Rate of compensation increase	3.5% to 6.0% + merit	3.5% to 6.0% + merit	3.5% to 6.0% + merit	3.5% to 6.0% + merit
Discount rate	8.15%	8.15%	6.17%	6.17%

Other assumptions used were:

12% annual rate increase in the cost per person of covered healthcare benefits for 2004, decreasing at 1% per annum to an ultimate rate of 5.0% per annum.

d) Other Disclosure

The PSSP, which is included in Pension Benefits, has plan assets for accounting purposes that exceed the accrued benefit obligations at March 31, 2004. The accrued benefit obligation is $3.1 billion (2003 - $3.0 billion) and the market related value of plan assets is $3.2 billion (2003 - $3.1 billion). The remaining benefit plans have accrued benefit obligations in excess of plan assets for accounting purposes or are unfunded.

The net unamortized actuarial gains (losses) are amortized on a straight-line basis over the expected average remaining service life (EARSL) of the related employee groups ranging from 6 years to 15 years (weighted-average EARSL is 14 years).

During the year the weighted average actual rate of return on plan assets was 23% (2003 – [10%]). The market value of plan assets is $6.9 billion (2003 - $5.8 billion) at March 31, 2004.

The most recent actuarial valuations performed for most of the benefit plans was at December 31, 2002 with the exception of certain other retirement benefit plans that were performed on December 31, 2003 and the post-employment benefit plans that are performed annually at March 31.

e) Net Benefit Plans (Recovery) Expense

The table below shows the components of the net benefit plans expense (recovery).

	Pension Benefits				Other Benefits			
		2004		2003 (restated)		2004		2003 (restated)
				($ thousands)				
Current benefit cost	$	173,478	$	168,072	$	49,137	$	44,188
Employee contributions		(103,557)		(94,423)		(8,826)		(7,547)
Plan amendments		919		—		16,380		(7,087)
Amortization of net actuarial (gains) losses		5,394		(8,150)		(3,312)		8,821
Other		792		—		3,583		1,502
Decrease in valuation allowance		—		(132,169)		—		—
Interest cost		584,990		561,293		63,743		64,244
Expected return on plan assets		(562,227)		(560,023)		(8,070)		4,967
Employer contributions to multi-employer plan		31,600		25,925		—		—
Net benefit plans (recovery) expense	$	131,389	$	(39,475)	$	112,635	$	109,088

7. TRUST FUNDS UNDER ADMINISTRATION

Trust funds assets administered by the Province (before giving consideration to actuarial adjustments) are:

		2004		2003 (as restated)
		($ thousands)		
Public Service Superannuation Fund (1)	$	3,045,756	$	2,555,530
Nova Scotia Teachers' Pension Fund (1), (4)		3,719,808		3,350,712
Workers' Compensation Board (4)		844,696		780,802
Sydney Steel Corporation Superannuation Plan (1), (2)		15,348		16,858
Nova Scotia Public Service Long Term Disability Plan (1), (4)		34,302		27,602
Nova Scotia Credit Union Deposit Insurance Corporation (1), (4)		13,031		12,152
Public Trustee (1)		26,370		24,283
Miscellaneous Trusts (3)		20,727		22,389
	$	7,720,038	$	6,790,328

(1) See Public Accounts Volume II for full financial statements of these funds.

(2) Administration of the assets of Sydney Steel Corporation Superannuation Fund was assumed during fiscal 2000-2001.

(3) Miscellaneous trusts include a large number of relatively small funds.

(4) These represent trusts with December 31 year ends. Trust assets balances at March 31 did not differ significantly.

8. FEDERAL TAX COLLECTION AGREEMENT ERROR

In early 2002, the Canada Revenue Agency (CRA) disclosed it had recently discovered that provincial Personal Income Tax (PIT) payments to provinces that are members of the Tax Collection Agreements had been overpaid for several years. The overpayments were a result of an error in the payments recording processes at CRA in which the capital gains refunds to mutual fund trusts were not deducted from provincial payments. This error overstated the payments to provinces that had mutual fund trust amounts allocated to them. For Nova Scotia, the overpaid amounts were relatively minor. However, for some provinces with large mutual fund trust bases, the overpayments were substantial.

Provincial PIT overpayments could have potentially impacted the provinces' results in prior years through federal transfer payments because PIT is one of 33 tax bases used to determine Equalization payments. However, the federal government has opted to protect equalization receiving provinces from any negative impacts resulting from the recovery of overpayments in an effort to provide comparable benefits to the provinces that received the overpayments. The federal government will change the measurement of fiscal capacity in the Equalization Program to accurately reflect the correction of the error. This change was in place in 2001-02 and the Province had recognized the potential liability through a negative $35 million adjustment for the impact on Equalization.

Further information surrounding the federal treatment of this error has eliminated the risk associated with this error. Therefore, the $35 million adjustment set up in 2001-02 was reversed in 2002-03.

9. NET EXPENSES BY OBJECT

	2004	2003 (as restated)
	($ thousands)	
Grant and Subsidies	$ 1,980,838	$ 1,916,469
Salaries and Employee Benefits	2,274,514	2,026,041
Operating Goods and Services	1,468,510	1,262,208
Professional Services	158,155	185,733
Amortization and Social Housing Adjustment	185,193	191,189
Debt Servicing Costs	1,070,575	1,079,989
Other	(3,205)	3,966
Less: Chargeables	(391,692)	(375,495)
Less: Recoveries	(386,978)	(305,184)
Total Net Expenses	$ 6,355,910	$ 5,984,916

10. DEBT SERVICING COSTS

	2004	2003 (as restated)
	($ thousands)	
CDN$ Denominated Debt	$ 697,708	$ 698,597
US$ Denominated Debt	195,785	225,076
Other Foreign Currency Denominated Debt	—	33,331
Pension, Retirement and Other Obligations	86,463	65,514
Capital Leases	27,647	28,678
Other Debt	40,823	37,262
Premium / Discount Amortization	(8,929)	(3,478)
Foreign Exchange	30,136	(6,242)
Miscellaneous	942	1,251
Total Debt Servicing Costs	$ 1,070,575	$ 1,079,989

Debt servicing costs for Government Business Enterprises was $25.2 million for the year ended March 31, 2004 ($26.8 million for the year ended March 31, 2003).

11. CASH FLOW – NET CHANGE IN OTHER ITEMS

	2004	2003 (as restated)
	($ thousands)	
Change in Receivables from Government Business Enterprises	$ 1,209	$ 8,832
Change in Receivables and Advances	(8,595)	(9,109)
Change in Accounts Payable and Other Short-term Borrowings	249,667	160,652
Change in Inventory for Resale	662	(173)
Change in Inventory of Supplies	(2,047)	(259)
Change in Prepaid Expenses	(2,586)	154
Change in Deferred Revenue	40,196	6,923
Change in Accrued Interest	(11,230)	(23,273)
Change in Pension, Retirement and Other Obligations	(14,056)	(164,336)
Total Net Change in Other Items	$ 253,220	$ (20,589)

12. CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

a) Contingent Liabilities

i) Environmental Sites

Various provincially owned sites throughout the Province are considered environmental or contaminated sites. Studies are ongoing to assess the nature and extent of damage to develop remediation plans. Provisions for these costs are recorded in these financial statements when it is determined a legal liability exists and a reasonable estimate of the remediation costs can be made. With the exception of remediation costs noted in the following paragraphs, no further provisions have been recognized in these financial statements.

Engineering and environmental studies have generated estimates for the cost of remediation of the Sydney Steel Corporation and adjacent sites as well as the Sydney Tar Ponds site. As a result, the Province recorded liabilities of $250.0 million and $68.5 million respectively, in 1999-2000 for environmental site clean-up. Of these provisions, $218.7 million (2002-03 - $230.2 million) and $46.7 million (2002-03 - $50.0 million), respectively, remain unspent. Based on currently available information, the provisions, in aggregate, appear sufficient to cover the estimated costs to remediate these sites.

Other remediation liabilities amounting to $7.0 million (2002-03 – nil) have been recognized in these financial statements.

ii) Lawsuits

The Province's losses for any lawsuits pending cannot be determined due to uncertainty of the trial outcomes.

iii) Other Contingent Liabilities

The Province also has contingent liabilities in the form of indemnities and meeting supply volumes of certain natural resources. The Province's potential liability, if any, cannot be determined at this time.

b) **Contingent Gains**

The Province of Nova Scotia may receive funds in the future from recoveries of various types of claims paid out and other agreements pending the occurrence of certain events. Recoveries are recorded in the year the contingent events occur.

c) **Contractual Obligations**

i) **Contractual Obligations**

Contractual obligations outstanding at March 31, 2004 total $852 million; comprised of $737 million for the Consolidated Fund, $111 million for other Governmental Units and $4 million for Government Business Enterprises. Included are contractual obligations of $79 million by Nova Scotia Business Incorporated for projects approved under its various programs and $422 million by the Department of Education for P3 School maintenance agreements.

In addition to the contractual obligations noted above, in 1992 the Department of Justice entered into a 20-year contract with the RCMP for policing services, including services paid by the municipalities under the Service Exchange Agreement. Costs are negotiated each year based on required policing services. The net estimated expense for the Province for 2004-05 is $17 million.

The Department of Natural Resources has long-term contractual obligations to provide access to certain natural resources located on lands owned by the Province.

ii) **Leases**

As at March 31, 2004, the Province was contractually obligated under various operating leases. Future minimum annual lease payments are as follows:

Fiscal Year	Governmental Units	Government Business Enterprises	Total Lease Payments
		($ thousands)	
2004-2005	$ 39,229	$ 4,953	$ 44,182
2005-2006	29,510	4,143	33,653
2006-2007	23,714	3,697	27,411
2007-2008	19,280	909	20,189
2008-2009	13,903	323	14,226
2010-2014	20,475	80	20,555
2015-2019	13,969	---	13,969
2020-2024	3,656	---	3,656
	$ 163,736	$ 14,105	$ 177,841

13. SUBSEQUENT EVENTS

a) Tax Rate Changes

The *Financial Measures (2004) Act*, receiving Royal Assent on May 20, 2004, increases the tax rate on the second and third income tax brackets to 2003 levels. In addition, a fourth income bracket, starting at $93,000, will be introduced at a tax rate of 17.5%. The income tax rate changes, effective January 1, 2004, will increase personal income tax revenues by approximately $101 million in 2004-05 and per year thereafter.

In addition, effective April 1, 2004, Corporation Capital Tax will increase from 3% to 4% and Large Corporations Tax will increase from 0.25% to 0.3%. Together these measures are expected to increase revenue by approximately $17 million in 2004-05 and per year thereafter.

b) Fees and Recoveries

Effective April 1, 2004, approximately 500 fees and recoveries were changed to better reflect the cost of providing these services. The changes are expected to increase revenue by approximately $12 million in 2004-05 and per year thereafter.

14. COMPARATIVE FIGURES

To conform with the current year's presentation, certain comparative figures for the prior year have been restated as follows:

a) Accounting Changes

As described in Note 2, there have been some retroactive restatements of figures in accordance with corrections made during the year.

b) Presentation

Certain of the prior year's numbers have been restated to conform to the presentation format adopted in the current year.

15. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are immaterial transactions with various provincial crown corporations, agencies, boards and commissions. Significant related party transactions have been offset and eliminated for purposes of consolidated reporting. Parties are deemed to be related to the Consolidated Fund due to common control or ownership by the Province of Nova Scotia.

The most significant unadjusted related party transactions are described in Schedule 4 – Government Business Enterprises.

Financial Highlights

Nova Scotia

Message from the Minister of Finance

I am pleased to present the Province of Nova Scotia's audited financial statements for the fiscal year 2003-2004.

As per legislation passed in the spring of 2004, we are releasing this document some two months earlier than in previous years. This is part of our ongoing efforts to improve financial management within the Government of Nova Scotia.

Government presented a balanced budget with a $2.8 million surplus in 2003-2004. Some mid-year pressures required government to place controls on program expenses. This helped government bring in a surplus for the fourth consecutive year, with revenues exceeding expenses by $42.6 million.

A balanced budget will be a top priority for the Government of Nova Scotia for many years to come. It is the road that will take us to a more prosperous future. We must also continue to make investments in our people and our communities to help build that future. This means maintaining a good-quality health care system, ensuring accessible education and training, and growing the economy.

In fiscal 2003-2004, government was able to make strategic investments in health care and other important program areas. At the same time, we reduced personal income taxes to promote a competitive economic climate in the province.

The province's economic indicators were also healthy, and the province has been near the national average in most categories. Growth in the Gross Domestic Product in current dollars was 6.3 per cent in 2003 and our Net Direct Debt to GDP ratio has dropped again to 42.8 per cent.

These numbers indicate that we are on the right track, and I believe we need to stay the course. I would like to thank Nova Scotians for their continued support of our fiscal objectives, now and in future.

Honourable Peter G. Christie
Minister

Selected Financial Highlights

Budgetary Summary

($ thousands)

ACTUAL *2002-2003* *(as restated)*		*ESTIMATE* *2003-2004* *(as restated)*	*ACTUAL* *2003-2004*
	Consolidated Fund		
4,958,818	Ordinary Revenue	**5,302,316**	**5,347,097**
4,570,464	Net Program Expenses	4,756,480	4,797,165
(149,611)	Pension Valuation Adjustment	(13,600)	(14,536)
847,210	Net Debt Servicing Costs	892,793	844,977
5,268,063		**5,635,673**	**5,627,606**
(309,245)		**(333,357)**	**(280,509)**
	Consolidation and Accounting Adjustments for the Consolidated Fund and Governmental Units		
2,012,292	Consolidated Fund Consolidation Adjustments	---	2,147,768
(1,217,623)	Health and Hospital Boards Operations	---	(1,327,579)
(740,565)	School Boards Operations	---	(773,897)
(56,779)	Other Organizations	---	(65,272)
(2,675)		**---**	**(18,980)**
	Net Income from Government Business Enterprises		
172,982	Nova Scotia Gaming Corporation	159,400	158,491
157,866	Nova Scotia Liquor Corporation	166,800	166,752
7,551	Other Enterprises	10,000	8,099
338,399		**336,200**	**333,342**
26,479	**Provincial Surplus before Unusual Items**	**2,843**	**33,853**
	Unusual Items		
1,358	Nova Scotia Resources Limited	---	8,734
1,358		**---**	**8,734**
27,837	**Provincial Surplus**	**2,843**	**42,587**

Notes: See Page A6 for the detailed Notes regarding this schedule.

Notes:

1) The 2002-2003 Actuals have been restated to be on the same basis as the 2003-2004 Actuals with the exception of the Tangible Capital Assets accounting change. No adjustment is required to the 2002-2003 Actuals as this change was was implemented prospectively as at April 1, 2003.

   The Estimate for 2003-2004 did not include the impact of the accounting changes made in 2002-2003 for retirement benefits and the accounting changes made in 2003-2004. To ensure comparability between the 2003-2004 Estimate and the 2003-2004 Actuals it would be necessary to make the following adjustments to the 2003-2004 Estimate:

   - increase the Gross Debt Servicing Costs by $30.9 million and decrease the Pension Valuation Adjustment by $1.4 million to account for the accounting changes for retirement benefits;

   - increase Net Program Expenses by $6.1 million to account for the teachers' salary accrual; and,

   - reduce Net Program Expenses by $23.8 million in various departments (see the schedule on Page A21) to account for various changes to the Tangible Capital Asset policy.

2) Short-term Interest revenue, which was formerly netted against General Interest expenses in Gross Debt Servicing Costs, is now included in Interest Revenues in Ordinary Revenue. Also, Public Debt Retirement Fund Earnings, which were formerly included in Gross Debt Servicing Costs, are now included in Sinking Fund Earnings.

3) In order to provide a better comparison with the Consolidated Financial Statements, the net revenues from the Nova Scotia Gaming Corporation and the Nova Scotia Liquor Corporation have been reclassified from Ordinary Revenue to Net Income from Government Business Enterprises in the 2004-2005 Estimates. The Actuals for all previous fiscal years reported in these Financial Highlights and the 2003-2004 Estimate and Actual have been restated in the new format. The Casino Win Tax, which is collected for the Province by the Nova Scotia Gaming Corporation and was included under the net revenues of the Corporation, continues to be reported under Consolidated Fund; Ordinary Revenue; Other Provincial Sources.

Significant Accounting Changes

Introduction

The Province of Nova Scotia recognizes that one of its primary financial accountability documents is the annual consolidated financial statements. These statements are prepared following Canadian generally accepted accounting principles for the public sector to ensure full and open disclosure of the Province's financial position and results of operations.

The Standard

The Province of Nova Scotia adheres to the recommendations and guidelines of the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Board (PSAB) supplemented, where appropriate, by other CICA and International Federation of Accountants accounting standards or pronouncements for the preparation of the annual consolidated financial statements. PSAB's recommendations have, to a significant extent, been adopted by governments across Canada.

Key Items for the 2003-2004 Financial Statements

Accounting Changes

The accounting policies used to prepare the 2003-2004 consolidated financial statements are the same as those used in the previous year. Corrections and changes in estimates were made during the year, which have increased the provincial surplus for fiscal 2003-2004 by $16.9 million, on an expense basis, and increased net direct debt and accumulated deficits by $20.1 million at April 1, 2003. The following four items comprise the Accounting Changes for the year:

a) Teachers' Salary Accrual

During the fiscal year, a method to accrue teachers' salaries was introduced. The accrual measures the timing difference between the cost of the teaching days worked versus the teaching days paid as of March 31st.

b) Public Service Award Plan

During the fiscal year, it was discovered that the data file used to measure the plan liability contained members who were not eligible to receive Public Service Awards. The data has been adjusted to remove non-eligible members.

c) Capital District Health Authority Group Insurance Plan

The Capital District Health Authority offers health and insurance benefits to certain employees upon retirement, but the obligation for this plan had never been valued and recorded. This error was corrected retroactively in fiscal 2003-2004.

d) Tangible Capital Assets

During the year certain amortization rates and capitalization thresholds were changed on a prospective basis to better match the recognition of amortization expense over the useful life of each tangible capital asset.

Details on the nature and impacts of these changes are included in Note 2 of the Consolidated Financial Statements.

The amounts reported in the original 2003-2004 Estimates were prepared prior to the current accounting policies being selected. The Estimates figures have not been restated for the following accounting policy changes:

a) Retirement Health Benefit Plans

The accounting policy for the recognition of retirement health benefit plans was changed in fiscal 2002-2003. Benefit cost and interest on the obligation are recognized as earned. Experience gains and losses are amortized over the estimated average remaining service life of active plan members. Previously, the Province recorded its share of premiums as expenses, and included the obligation as a commitment. This accounting policy change reduced the 2003-2004 provincial surplus by $33.2 million.

a) Special Purpose Funds

During fiscal 2002-2003, an evaluation of Special Purpose Funds used by the Province was completed. As a result of the evaluation, twenty Special Purpose Funds were added to the Government Reporting Entity in fiscal 2002-2003. There is no significant impact to the 2003-2004 provincial surplus as a result of this change.

Revenues - Consolidated Fund

($ thousands)

REVENUE SOURCES	*ACTUAL* *2002-2003* *(as restated)*	*ESTIMATE* *2003-2004* *(as restated)*	*ACTUAL* *2003-2004*	*VARIANCE* *Increase (Decrease)*
Provincial Sources				
Personal Income Tax	1,353,675	1,317,200	1,350,071	32,871
Corporate Income Tax	204,950	270,385	232,710	(37,675)
Harmonized Sales Tax	905,120	942,150	975,204	33,054
Tobacco Tax	145,425	166,720	161,715	(5,005)
Motive Fuel Taxes	246,283	254,197	249,900	(4,297)
Interest Revenues	60,675	69,390	60,473	(8,917)
Registry of Motor Vehicles	75,933	73,704	77,546	3,842
Royalties - Petroleum	11,115	27,000	24,083	(2,917)
Other Provincial Sources	210,047	205,219	239,233	34,014
Prior Years' Adjustments - Provincial Sources	(23,833)	---	145,504	145,504
Total - Provincial Sources	**3,189,390**	**3,325,965**	**3,516,439**	**190,474**
Federal Sources				
Equalization Payments	1,125,088	1,242,870	1,114,487	(128,383)
Canada Health and Social Transfer	605,117	701,151	686,853	(14,298)
Health Reform Fund	---	30,000	29,611	(389)
Other Federal Sources	2,299	2,330	2,330	---
Prior Years' Adjustments - Federal Sources	1,924	---	(2,623)	(2,623)
Federal Tax Collection Agreement Error	35,000	---	---	---
Total - Federal Sources	**1,769,428**	**1,976,351**	**1,830,658**	**(145,693)**
Total - Revenues	**4,958,818**	**5,302,316**	**5,347,097**	**44,781**

Note: In order to provide a better comparison with the Consolidated Financial Statements, the net revenues from the Nova Scotia Gaming Corporation and the Nova Scotia Liquor Corporation have been reclassified from Ordinary Revenue to Net Income from Government Business Enterprises in the 2004-2005 Estimates. The Actuals for all previous fiscal years reported in these Financial Highlights and the 2003-2004 Estimate and Actual have been restated in the new format. The Casino Win Tax, which is collected for the Province by the Nova Scotia Gaming Corporation and was included under the net revenues of the Corporation, continues to be reported under Consolidated Fund; Ordinary Revenue; Other Provincial Sources.

Provincial Sources

In fiscal 2003-2004, personal income tax revenue exceeded the original budget by $32.9 million or 2.5 per cent. This increase resulted from a higher than anticipated yield on taxable incomes, as well as the impact of the tax changes that came into effect January 1, 2004.

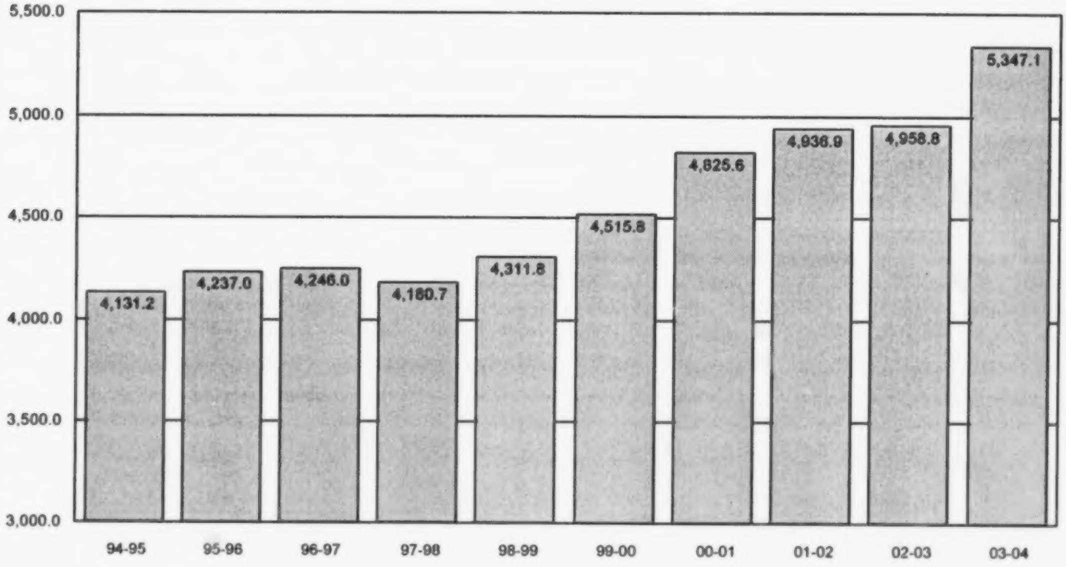
Corporate income tax revenues fell short of the budget by $37.7 million or 13.9 per cent. This decrease was driven by a number of factors, including changes to the Province's share of nationally allocated taxable income and the amount of income eligible for the Small Business Rate Reduction.

Harmonized Sales Tax (HST) revenue was $33.1 million or 3.5 per cent above the original budget for fiscal 2003-2004. The increase was driven by revisions to the size of the base year and growth rate estimates for the national GST/HST Declared Revenue Pool.

Revenues - Consolidated Fund

1994-1995 to 2003-2004

($ millions)



Federal Sources

Statistics Canada released a revision of 2001 Census data in September 2003. As a result of this new data, Nova Scotia's share of national population declined from previous projections.

Most federal transfers rely on per capita calculations of provincial entitlements. The impact of the revised Census data reduced Equalization Payments by $60.4 million from the original budget. Equalization Payments also fell a further $68.0 million short of the original budget largely because of entitlement reductions associated with personal income taxes, capital taxes and offshore revenues. In particular, revised personal income tax data incorporated significant negative shocks to estimates of basic federal tax, which is the measure of personal income taxes in the Equalization formula. These revisions caused large decreases in entitlements for all receiving provinces.

Similarly, the Canada Health and Social Transfer (CHST) revenues were $14.3 million lower than the original budget, largely because of the Census revision and new estimates of tax point values.

Prior Years' Adjustments

Prior Years' Adjustments are made to reflect changes in information about prior years' revenues. New information routinely comes from sources such as the federal government. Typically, income tax adjustments are from the previous year, while transfer payments are finalized for three years from the time of the initial payment.

Provincial Sources

In fiscal 2003-2004, personal income tax revenue exceeded the original budget by $32.9 million or 2.5 per cent. This increase resulted from a higher than anticipated yield on taxable incomes, as well as the impact of the tax changes that came into effect January 1, 2004.

There was a significant positive adjustment from prior years' calculation of HST entitlements. Significant increases to the national GST/HST Declared Revenue Pool resulted in substantially higher calculations of Nova Scotia's HST revenues, particularly from fiscal 1999-2000 through fiscal 2002-2003. The total impact of these adjustments was $96.6 million.

Federal Sources

Changes to Equalization Payments estimates for the fiscal years 2000-2001, 2001-2002 and 2002-2003 included revisions to basic federal tax data. These led to a positive net adjustment of $11.8 million from Equalization Payments. This increase was offset by a negative adjustment of over $14.4 million in CHST payments for fiscal 2001-2002 and fiscal 2002-2003.

Program Spending - Consolidated Fund

Net Program Expenses

($ thousands)

DEPARTMENTS	ACTUAL 2002-2003 (as restated)	ESTIMATE 2003-2004	ACTUAL 2003-2004	VARIANCE Increase (Decrease)
Agriculture and Fisheries	41,440	40,118	42,573	2,455
Community Services	668,306	666,414	659,410	(7,004)
Economic Development	27,391	---	---	---
Education	933,177	980,241	982,232	1,991
Assistance to Universities	206,762	205,805	212,804	6,999
Energy	---	7,614	6,433	(1,181)
Environment and Labour	25,604	27,558	26,544	(1,014)
Finance	12,902	13,235	12,788	(447)
Health	1,996,005	2,111,454	2,166,317	54,863
Justice	90,771	99,417	94,517	(4,900)
Natural Resources	55,291	59,160	56,814	(2,346)
Public Service	106,517	143,220	168,219	24,999
Service Nova Scotia and Municipal Relations	96,533	93,161	90,396	(2,765)
Tourism, Culture and Heritage	39,895	40,805	39,508	(1,297)
Transportation and Public Works	253,626	246,654	229,888	(16,766)
Restructuring Costs	15,557	21,624	8,722	(12,902)
Loss on the Sale of Crown Assets	687	---	---	---
	4,570,464	**4,756,480**	**4,797,165**	**40,685**

Notes:

1) The consolidation of departmental expenditures with that of governmental units provides the total expenditures for which government is accountable. This Table provides the net program expenses by department prior to consolidation, as compared to the prior fiscal year and the budget, which are the Estimates as approved by the Legislature in the annual Appropriations Act.

2) The 2002-2003 Actual for the Department of Education has been restated to include $2.972 million related to the introduction of an accrual for teachers' salaries. Details on the nature of the accrual are included in Note 2 of the Consolidated Financial Statements.

Program Spending

Overall, Net Program Expenses, which represent the government's share of the cost of programs and services provided to Nova Scotians, exceeded the original budget by $40.7 million or 0.86 per cent during fiscal 2003-2004. Increased costs in the health care sector and severe weather conditions were the primary reasons for the additional expenses.

The increase was offset, in part, by the savings achieved through the Budget Management Plan that was announced in the Year-End Forecast Update released in September 2003, which reduced the government's net expenses by approximately $32.8 million. The Plan mandated departments to reduce or defer discretionary expenses, as well manage vacant positions.

Also, changes were made to the amortization rates and thresholds in the Tangible Capital Assets policy in fiscal 2003-2004 to better reflect the actual cost of capital assets used. These changes, as well as adjustments in the construction schedules for various infrastructure projects, reduced net expenses by a further $26.1 million.

The savings in the Budget Management Plan were achieved primarily through the management of vacant positions and various departmental operating accounts with the exception of the renegotiation of the Social Housing Agreement. This increased the Department of Community Services' Housing Services division's recoveries from federal sources by approximately $4.5 million. It should be noted that broader public sector entities such as the regional school boards and post-secondary institutions were also included in the Budget Management Plan.

Departmental Spending

The Department of Agriculture and Fisheries required $3.5 million in additional funding for the BSE Program, which provided relief to the farmers affected by the Canada-wide mad cow crisis. This increase was offset, in part, by the $1.0 million savings achieved by the department through the Budget Management Plan.

The Budget Management Plan accounted for $8.8 million in savings, and additional vacancy management and lower than expected program delivery costs saved the Department of Community Services a further $4.3 million. Pharmacare costs increased by $4.7 million and community support for adults spending rose by $1.4 million, reducing the department's net savings to $7.0 million.

In the Department of Education, changes in the accounting treatment for teachers salaries increased expenses by $6.1 million and additional funding totalling $3.1 million was required for libraries, the teachers' pension plan contributions and other operating costs. The changes in the amortization rates and thresholds in the Tangible Capital Asset program reduced expenses by $3.0 million and the Budget Management Plan savings of $4.5 million, which included reductions in the regional school boards and the community college grants, lowered the overspending to $2.0 million.

Universities received an additional $8.0 million in assistance, which was offset, in part, by the $1.0 million savings in the Budget Management Plan.

The Department of Energy experienced a $1.2 million net decrease in its spending, through the Budget Management Plan, other departmental savings and the suspension of the Deep Panuke project. Vacancy management and other departmental savings, and the Budget Management Plan helped the Department of Environment and Labour achieve a $1.0 million decrease in expenses. Budget Management Plan savings, vacancy management and other departmental efficiencies were responsible for a $0.4 million decrease in spending at the Department of Finance.

Overall, the Department of Health experienced a $54.9 million increase in spending to accommodate wage and operational pressures. Funding for the district health authorities was increased by $59.4 million, with $12.2 million coming from the Other Health Care Initiatives and Other Programs areas of the department. Payments to physicians increased by $22.9 million.

Pharmacare costs in the department also rose by $0.8 million. A $5.6 million increase in out-of-province hospital payments and a $0.7 million decrease in third party liability recoveries were partially offset by a $1.8 million increase in recoveries from other provinces for a net increase of $4.5 million in the Revenue and Recovery area of the department.

Vacancy management and reduced contracted services saved the Care Coordination and Home Care programs an additional $6.6 million. Lower amortization costs reduced expenses by $3.0 million and $1.3 million less was spent on the Children's Dental Plan. Vacancy management and other operational savings reduced overall departmental expenses by $5.8 million. The department also realized $3.8 million in savings through the Budget Management Plan.

The Department of Justice had a reduction in expenses of $4.9 million, as a result of a $1.0 million increase in the revenue from probate fees, $0.9 million savings in vacancy management and other efficiencies, and $0.5 million savings in the budget for court renovations. The Budget Management Plan reduced expenses by $2.5 million.

The Budget Management Plan decreased expenses by $1.5 million, while additional amortization costs related to the acquisition of the helicopter increased expenses by $0.2 million. Additional vacancy management and other efficiencies saved the Department of Natural Resources a further $1.0 million.

The Emergency Measures Organization of Nova Scotia incurred an additional $13.5 million in expenses to mitigate the impact of Hurricane Juan and the winter storm recovery in February 2004. A shortfall in federal compensation related to the 2003 flooding increased the fiscal 2003-2004 expenses by $2.1 million.

Excluding Pension Valuation Adjustment items, which are disclosed separately, the Government Contributions to Benefits Plans appropriation was under budget by $1.3 million. The Province's liability for long-term disability benefits decreased by $10.6 million primarily due to the rebound in market value of the plan assets, which was partially offset by the $8.8 million increase in the Province's WCB liability resulting from the Supreme Court decision on chronic pain benefits.

Nova Scotia Business Inc. paid out $1.8 million less than budgeted in payroll rebates and saved $1.4 million through the Budget Management Plan, saving $3.2 million in total. The Office of Economic Development (OED) provided an additional $5.0 million to refresh the Nova Scotia Research and Innovation Fund and $4.0 million for its loan valuation allowance. Salary and operational savings, and the Budget Management Plan, reduced OED's expenses by $3.2 million, which partially offset the increases.

The Office of Health Promotion recorded increased expenses of $3.7 million, primarily through the provision of financial support for community recreational facilities.

Service Nova Scotia and Municipal Relations reduced its overall expenses by $2.8 million. The department was able to invest an additional $1.8 million in grants for infrastructure projects, such as sewage treatment and water plants, while $1.3 million was saved through additional vacancy management and other adjustments. The Budget Management Plan saved $2.3 million and decreased amortization costs reduced expenses by almost $1.0 million more.

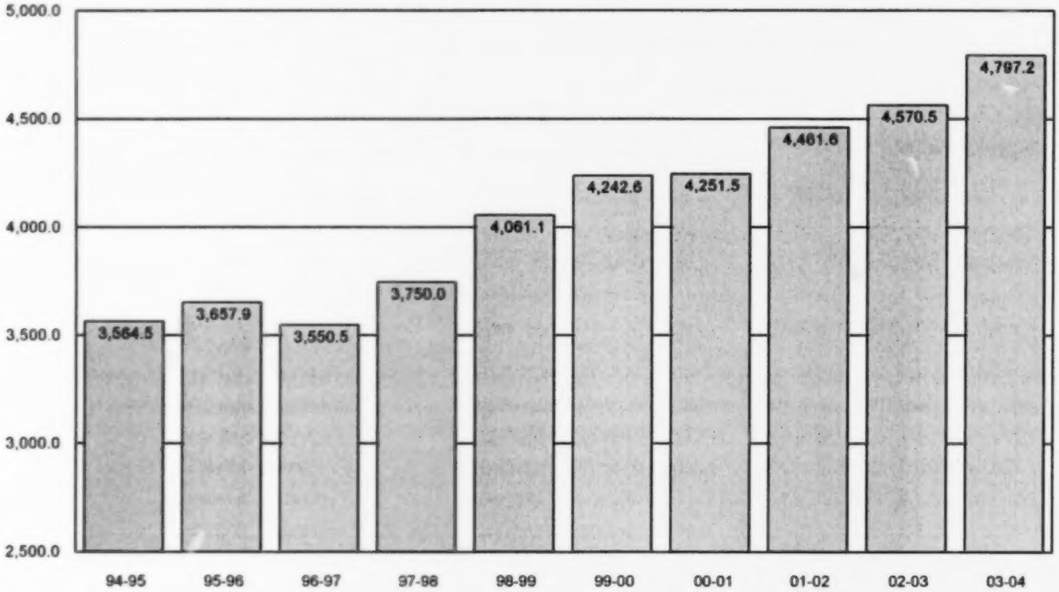
The Department of Tourism, Culture and Heritage saved $1.0 million through the Budget Management Plan and $0.3 million through vacancy management and other efficiencies.

The Department of Transportation and Public Works was under budget by $16.8 million in fiscal 2003-2004 despite increases in several areas of its operations. Expenses on snow and ice control increased by $3.7 million because of the severe winter storms, and highway and bridge maintenance costs increased by $0.8 million. Also, there was a net increase of $3.8 million in environmental remediation costs and $1.0 million was added to the claims liability reserve. The changes in the amortization rates and thresholds in the Tangible Capital Assets policy reduced expenses by $21.1 million and the Budget Management Plan saved $4.4 million, while additional vacancy management and other savings reduced expenses by $0.6 million.

Net Program Expenses - Consolidated Fund

1994-1995 to 2003-2004

($ millions)



Overall, the Restructuring Costs appropriation was $12.9 million lower than the original budget. Net savings of $12.4 million were achieved in the provision of funding for contract negotiations, workforce adjustment and government restructuring, in spite of some wage settlements that exceeded the original budget. Included in these savings is $6.6 million related to funding provisions established and accrued in previous fiscal years, which have been adjusted in fiscal 2003-2004, based on updated information. Also, an additional $0.5 million in Unallocated Recoveries was received during the fiscal year.

Pension Valuation Adjustment

Although the Pension Valuation Adjustment is not included in Net Program Expenses, it is included under Net Expenses in the Consolidated Fund portion of the Budgetary Summary and therefore, will be noted in this section of the Financial Highlights.

The Province of Nova Scotia accounts for pension and other retirement benefit costs on a basis that is consistent with generally accepted accounting principles and as such, in the current fiscal year recognizes pension expense to include the cost of pensionable service earned by employees and amortization of the experience gains and losses in the pension plans.

The method used to value pension assets is a market related basis as permitted under generally accepted accounting principles, which allows for smoothing of the total annual change in market value equally over a period of five years instead of recognizing the adjustment to asset value in the year of change. This accounting methodology better reflects the long term nature of the investments of the plan assets and reduces volatility in the asset values year over year, reducing the impact of short-term fluctuations, both negative and positive, in the market value of pension plan assets as measured on March 31st of each fiscal year.

A net positive adjustment of $14.5 million has been recorded as the Pension Valuation Adjustment in fiscal 2003-2004. Accounting changes for retirement health benefits were not approved in time to be reflected in the 2003-2004 Estimates. Further details can be found in Note 6 of the 2003-2004 Consolidated Financial Statements.

Tangible Capital Assets - Consolidated Fund

The Tangible Capital Assets policy charges a percentage of the original cost of an asset to each year of the useful life of the asset. This charge to operations is called amortization. Departments are required to budget for tangible capital asset purchases and the resulting amortization from the acquisition of these assets. The cost of the estimated purchases of Tangible Capital Assets is voted separately in the Capital Purchase Requirements appropriation and the departmental details are noted below.

Capital Purchase Requirements

($ thousands)

DEPARTMENTS	***ESTIMATE*** *2003-2004*	***ACTUAL*** *2003-2004*	***VARIANCE*** *Increase (Decrease)*
Agriculture and Fisheries	520	705	185
Community Services	800	790	(10)
Education	93,865	85,864	(8,001)
Environment and Labour	35	28	(7)
Finance	4,270	3,528	(742)
Health	7,735	6,860	(875)
Natural Resources	1,420	15,596	14,176
Public Service	147	147	---
Service Nova Scotia and Municipal Relations	750	747	(3)
Tourism, Culture and Heritage	5,550	4,439	(1,111)
Transportation and Public Works			
Highways and Bridges	106,227	107,010	783
Buildings and Infrastructure	23,141	20,943	(2,198)
Contingency	5,540	---	(5,540)
	250,000	**246,657**	**(3,343)**

Overall, the Capital Purchase Requirements appropriation was under budget by $3.3 million in fiscal 2003-2004. The Department of Natural Resources was overspent by $14.2 million primarily as a result of the acquisition of land. This expenditure was more than offset by cash flow revisions resulting from adjustments in the construction schedules for various infrastructure projects such as: new schools; additions and alterations to existing schools; courthouses; and, the Province's three resort hotels.

This schedule reflects the amortization charged to operations related to the Tangible Capital Assets that were acquired in prior years, as well as the charges related to the acquisitions made during fiscal 2003-2004.

Amortization

($ thousands)

DEPARTMENTS	***ESTIMATE*** *2003-2004*	***ACTUAL*** *2003-2004*	***VARIANCE*** *Increase (Decrease)*
Agriculture and Fisheries	235	189	(46)
Community Services	111	8	(103)
Education	46,329	43,165	(3,164)
Environment and Labour	27	26	(1)
Finance	1,289	1,485	196
Health	10,574	10,034	(540)
Justice	1,332	1,332	---
Natural Resources	643	808	165
Public Service	49	48	(1)
Service Nova Scotia and Municipal Relations	2,256	1,306	(950)
Tourism, Culture and Heritage	235	216	(19)
Transportation and Public Works	66,162	44,530	(21,632)
	129,242	**103,147**	**(26,095)**

The 2003-2004 Estimate does not reflect the changes made to the amortization rates and thresholds in the Tangible Capital Assets policy, which were implemented effective April 1, 2003 on a prospective basis. The impact of these changes on amortization and operating expenses is reflected on a departmental basis in the schedule below.

Impact of Changes in Amortization Rates and Thresholds in the TCA Policy

($ thousands)

Increase (Decrease) in Amortization Expense:

Agriculture and Fisheries	18
Community Services	(2)
Education	(1,279)
Environment and Labour	4
Finance	192
Health	(568)
Natural Resources	74
Public Service	2
Service Nova Scotia and Municipal Relations	(985)
Tourism, Culture and Heritage	(1)
Transportation and Public Works	(19,909)
	(22,454)

Increase (Decrease) in Operating Expenses due to the Threshold Changes:

Education	(538)
Transportation and Public Works	(841)
	(1,379)
	(23,833)

Analysis of Appropriations Relative to the Appropriations Act, 2003

for the fiscal year ended March 31, 2004

($ thousands)

	*Resolution Number **	*Budget*	*Actual*	*Variance*	*Additional Appropriation Required*
Net Program Expenses					
Agriculture and Fisheries	1	40,118	42,573	2,455	2,455
Community Services	2	666,414	659,410	(7,004)	
Education	3	980,241	982,232	1,991	1,991
Assistance to Universities	4	205,805	212,804	6,999	6,999
Energy	5	7,614	6,433	(1,181)	
Environment and Labour	6	27,558	26,544	(1,014)	
Finance	7	13,235	12,788	(447)	
Health	9	2,111,454	2,166,317	54,863	54,863
Justice	10	99,417	94,517	(4,900)	
Natural Resources	11	59,160	56,814	(2,346)	
Communications Nova Scotia	12	3,602	3,298	(304)	
Emergency Measures Organization of Nova Scotia	13	692	16,310	15,618	15,618
Executive Council	14	14,642	13,109	(1,533)	
FOIPOP Review Office	15	239	215	(24)	
Government Contributions to Benefit Plans	16	7,550	6,242	(1,308)	
Human Rights Commission	17	1,764	1,741	(23)	
Legislative Services	18	15,504	22,978	7,474	7,474
Nova Scotia Advisory Council on the Status of Women	19	756	709	(47)	
Nova Scotia Business Inc.	20	29,215	25,999	(3,216)	
Nova Scotia Police Commission	21	299	297	(2)	
Nova Scotia Securities Commission	22	1,220	1,024	(196)	
Nova Scotia Utility and Review Board	23	2,632	2,737	105	105
Office of Economic Development	24	30,909	36,708	5,799	5,799
Office of Health Promotion	25	14,910	18,623	3,713	3,713
Office of the Auditor General	26	2,200	2,171	(29)	
Office of the Ombudsman	27	802	663	(139)	
Public Prosecution Service	28	14,884	14,195	(689)	
Sydney Tar Ponds Agency	29	1,400	1,200	(200)	
Service Nova Scotia and Municipal Relations	30	93,161	90,396	(2,765)	
Tourism, Culture and Heritage	31	40,805	39,508	(1,297)	
Transportation and Public Works	32	246,654	229,888	(16,766)	
Restructuring Costs	34	21,624	8,722	(12,902)	

Note: Section 28 (3) of the Provincial Finance Act requires that any additional spending authority required must be approved by the Governor in Council no later than ninety days after the tabling of the Public Accounts.

* - Refers to the Resolution Number in the Appropriations Act, 2003.

Analysis of Appropriations Relative to the Appropriations Act, 2003

for the fiscal year ended March 31, 2004

($ thousands)

	Resolution Number *	Budget	Actual	Variance	Additional Appropriation Required
Other Appropriations					
Debt Servicing Costs	8	1,062,316	1,028,600	(33,716)	
Capital Purchase Requirements	33	250,000	246,657	(3,343)	
Sinking Fund Instalments and Serial Retirements	35	118,237	114,355	(3,882)	

Note: Section 28 (3) of the Provincial Finance Act requires that any additional spending authority required must be approved by the Governor in Council no later than ninety days after the tabling of the Public Accounts.

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* - Refers to the Resolution Number in the Appropriations Act, 2003.

Debt Review

In fiscal 2003-2004, the Province of Nova Scotia posted a surplus of $33.9 million before unusual items. The Net Direct Debt of the Province as of March 31, 2004 was $12.3 billion, an increase of $106.0 million from the restated Net Direct Debt at the end of fiscal 2002-2003. The Province's Net Direct Debt to Gross Domestic Product at Market Prices ratio decreased to 42.8 per cent at March 31, 2004 from 45.1 per cent a year earlier.

Credit Rating Upgrade

The Province's credit rating was raised by all three major bond rating agencies over the past year. Moody's Investors Services upgraded the debt rating of the Province to A2 from A3 in September 2004, citing long-term improvement in the Province's debt indicators, economic gains of recent years, and the government's commitment to maintaining balanced budgets and achieving debt reduction. This upgrade followed two similar upgrades by Standard and Poor's in August 2004 to A from A-minus, and Dominion Bond Rating Service in August 2003 to A (low) from BBB (high). The rating outlook is stable.

Capital Markets Issuance Initiatives

The Province of Nova Scotia borrowed $1.116 billion in fiscal 2003-2004, an increase over its original estimate of $432.5 million. This increase in borrowing was due to the pre-borrowing of $400.0 million for future years given the favourable domestic market conditions experienced during the fiscal year, the various Crown corporations, in particular $84.0 million for the Nova Scotia Municipal Finance Corporation, and $162.0 million of debt issues called during the fiscal year.

The Province's $1.116 billion borrowing program was comprised of three 30-year domestic public issues for a total of $600.0 million; eleven domestic Medium-Term Notes including nine retail structured notes totalling $250.0 million; one floating rate note for $125.0 million, and one fixed rate debt issue for $50.0 million; and, the roll-over of a $90.6 million Canada Pension Plan issue.

Financial Risk Management

The Province targeted September 2004 as the date where its foreign currency exposure should be at or below 20.0 per cent. The target was achieved eighteen months ahead of schedule. At March 31, 2004, the Province's foreign currency exposure stood at 16.9 per cent on a gross basis, down from 19.5 per cent at the end of fiscal 2002-2003, and 13.2 per cent net of US dollar sinking funds. This action marks a significant improvement in the Province's foreign currency exposure that stood at 72.0 per cent at March 31, 1995.

The debt portfolio's exposure to floating interest rates rose slightly to 21.1 per cent for the fiscal year ended March 31, 2004; 15.0 per cent when net of floating rate sinking fund assets. This level is at the low end of the Province's 15.0 to 35.0 per cent floating rate exposure policy range. With 78.9 per cent of the total principal in fixed rate form, there will be stability in debt serving costs in future years. At March 31, 2004, the average term to maturity of the debt portfolio stood at 9.9 years, which is 0.6 years longer than a year earlier.

Debt Servicing Costs

Net Debt Servicing Costs in fiscal 2003-2004 were $845.0 million, a decrease of $47.8 million from the restated budget, due to favourable short-term interest rates and the Canadian dollar. Although not reflected in the original budget, debt servicing costs for retirement health benefits were $32.8 million.

Net Debt Servicing Costs - Consolidated Fund

($ millions)

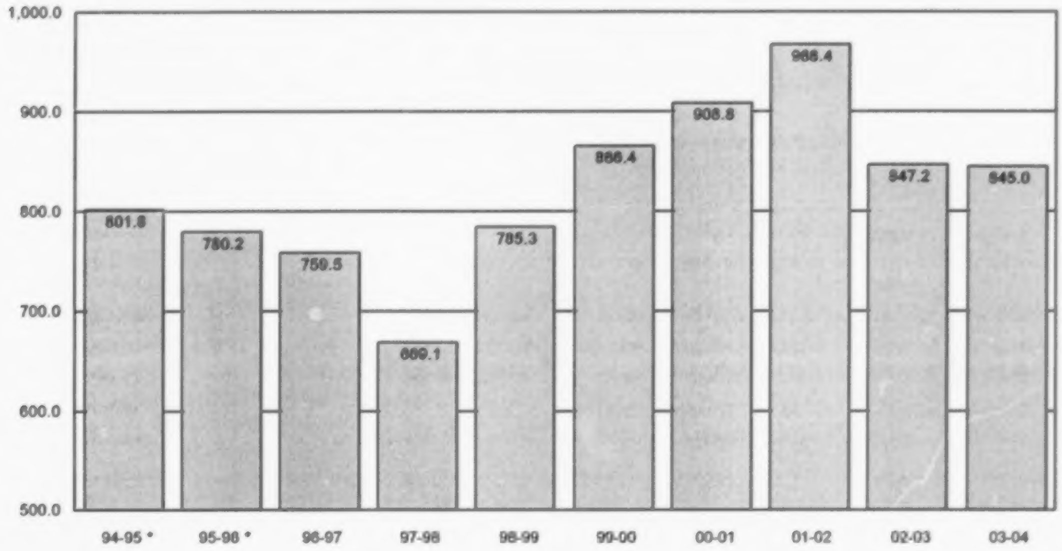
	ACTUAL 2002-2003 (as restated)	ESTIMATE 2003-2004 (as restated)	ACTUAL 2003-2004	VARIANCE Increase (Decrease)
Debt Servicing Costs				
Interest on Long Term Debt	950,480	947,678	920,657	(27,021)
General Interest	29,670	30,038	21,480	(8,558)
Interest on Pension, Retirement and Other Obligations	65,514	84,600	86,463	1,863
Gross Debt Servicing Costs	**1,045,664**	**1,062,316**	**1,028,600**	**(33,716)**
Less: Sinking Fund Earnings	(198,454)	(169,523)	(183,623)	14,100
Net Debt Servicing Costs	**847,210**	**892,793**	**844,977**	**47,816**

Note: Short-term Interest revenue, which was formerly netted against General Interest expenses in Gross Debt Servicing Costs, is now included in Interest Revenues in Ordinary Revenue. Also, Public Debt Retirement Fund Earnings, which were formerly included in Gross Debt Servicing Costs, are now included in Sinking Fund Earnings.

Net Debt Servicing Costs - Consolidated Fund

1994-1995 to 2003-2004

($ millions)



* The fiscal years 1994-1995 and 1995-1996 have not been restated to reflect the accounting changes related to foreign exchange gains and (losses), premiums and discounts.

Debenture Debt

The Province's Net Debenture Debt, which is outstanding debentures less sinking funds and the Public Debt Retirement Fund, was $10.2 billion in Canadian dollar equivalent at the rate of exchange in effect on March 31, 2004. Of this amount, $270.5 million represents the difference between the value of the foreign currency debt at the exchange rate at the issue date and the net hedged value on March 31, 2004. This amount will fluctuate from year to year based on exchange rates in effect at year-end.

The Province of Nova Scotia provides sinking fund instalments for some term debt issues. Annual sinking fund instalments generally range from one to three per cent of the original issue, but may vary slightly from year to year based on actual and anticipated rates of return on sinking fund assets. Instalments are designed to fully fund the issue over twenty years or the life of the issue, whichever is longer. Sinking funds are treated as trust funds and are used solely for debt retirement. Sinking funds related to US dollar debt are invested in US dollar denominated securities.

Net Debenture Debt
($ millions)

	Outstanding Debentures (CDN$ Equivalents)
Debentures Payable in Canadian Dollars	
Canada Pension Plan Investment Fund	1,079.4
Other Issues	9,727.6
United States Dollars	2,356.8
	13,163.8
Less: Sinking Funds and Public Debt Retirement Fund	(2,919.8)
Net Debenture Debt	**10,244.0**

Borrowing Powers

Long-term debt issued by way of debentures and Medium Term Notes are subject to a legislative authority to borrow through the Appropriations Act. Unused portions of these authorities carry forward to be used in future years. In fiscal 2003-2004, the Province borrowed, at face value, $1,115.6 million in long-term debentures, which was applied to the 2002 and 2003 authorities.

Statement of Borrowing Powers

as at March 31, 2004

($ thousands)

	2002-2003	*2003-2004*
Balance of Authority from Previous Fiscal Years	**527,291**	**1,095,291**
Authority Approved for the Fiscal Year	**1,500,000**	**1,500,000**
Balance of Authority at April 1st	**2,027,291**	**2,595,291**
Less: Authority Used in fiscal 2002-2003	**932,000**	
Less: Authority Used in the Current Fiscal Year:		
Promissory Note P75		125,000
Promissory Note P76		40,000
Promissory Note P77		35,000
Promissory Note P78		50,000
Debenture Series B5		200,000
Promissory Note P79		20,000
Promissory Note P80		50,000
Promissory Note P81		20,000
Promissory Note P82		30,000
Debenture Series B5 (Reopen)		200,000
Promissory Note P83		15,000
Promissory Note P84		20,000
Debenture Series B5 (Reopen)		200,000
Promissory Note P85		20,000
Debenture Series CP40		90,597
		1,115,597
Balance of Authority at March 31st	**1,095,291**	**1,479,694**

Additional Borrowing Powers:

- Cape Breton Industrial Assistance Act - Chapter 60, R.S.N.S. 1989
- Housing Act - Chapter 211, R.S.N.S. 1989
- Housing Development Corporation Act - Chapter 213, R.S.N.S. 1989
- Municipal Finance Corporation Act - Chapter 301, R.S.N.S.1989
- Sydney Steel Corporation Act - Chapter 456, R.S.N.S 1989
- Finance Act - 5, 47, Chapter 365, R.S.N.S 1989 (OIC #95-786, #90-1002)

Economic Information

Economic Indicators

	1999	*2000*	*2001*	*2002*	*2003*	*2004* (Forecast)
Gross Domestic Product at Market Prices *($ millions)*	23,059	24,770	26,070	27,102	28,813	29,919
Annual % Change	7.7	7.4	5.2	4.0	6.3	3.8
Gross Domestic Product at Market Prices *(Chained 1997 $ millions)*	22,285	23,174	23,783	24,825	25,057	25,557
Annual % Change	5.5	4.0	2.6	4.4	0.9	2.0
Personal Income *($ millions)*	21,409	22,384	23,173	23,803	24,491	25,205
Annual % Change	5.4	4.6	3.5	2.7	2.9	2.9
Consumer Price Index - Nova Scotia *(Annual % Change)*	1.7	3.5	1.8	3.0	3.4	1.5
Population *(thousands of persons)*	934	934	932	934	936	937

Sources: Statistics Canada, Provincial Economic Accounts, Cat. No. 13-213-PPB
Statistics Canada, Quarterly Demographics Statistics, Cat. No. 91-002-XPB
Nova Scotia Department of Finance

Note: The data reflects the most recent information from the Department of Finance as of August 20, 2004. The data for 2003 and 2004 is different from data used in the original budget and actual results for fiscal 2003-2004. The differences would not cause a significant change in the actual results.

Economic Performance

Output

In 2003, the Nova Scotia economy continued to grow despite major unexpected economic shocks, which included SARS, BSE, and natural disasters, as well as the impact of the exchange rate appreciation. Statistics Canada reported a Real GDP growth rate of 0.9 per cent for Nova Scotia in 2003, lower than the 4.4 per cent real growth rate in 2002. Much of this fall in real GDP growth relates to higher prices. The GDP growth in current dollars stood at 6.3 per cent in 2003 for Nova Scotia, compared to 5.3 per cent for Canada.

Consumer spending, along with capital expenditures on residential and non-residential dwelling construction, were the driving forces behind economic growth in 2003. Residential capital expenditures were up 9.7 per cent, reflecting the 12.3 per cent increase in new home construction and the 7.4 per cent increase in renovation expenditures. Non-residential dwelling construction expenditures were up 9.2 per cent, supported by increases in capital expenditures by both the public and private business sectors.

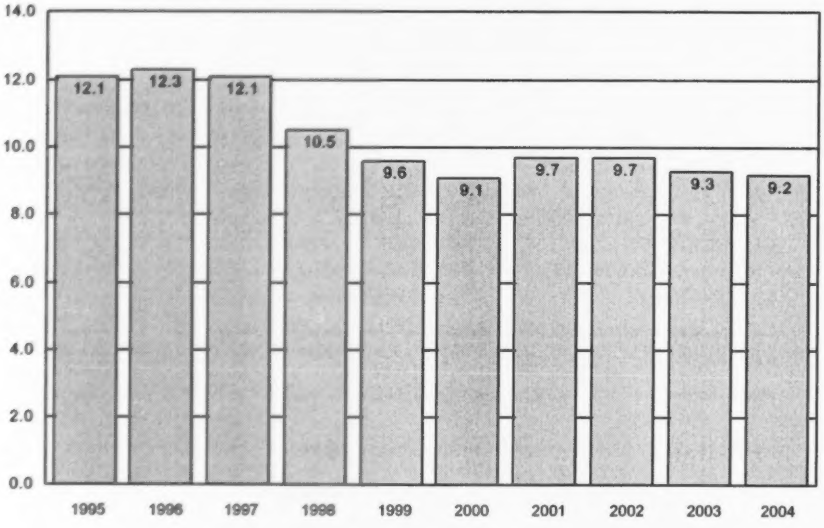
Exports and business capital investment in machinery and equipment were weak in 2003. Business capital investment in machinery and equipment dropped 20.2 per cent from the high 2002 machinery and equipment investment plateau, which was buoyed by the purchase of new submarines and a major modification to an oil and gas drilling rig.

Slower Canadian and US economies both had their impacts on Nova Scotia's export sales. Export sales to other provinces were only up 2.4 per cent. The global slowdown, due to the slump in the United States economy, resulted in a 3.0 per cent increase in international trade. A 3.1 per cent decline in total imports from other provinces and the international market, resulted in a reduction in the trade deficit in 2003.

Labour Markets

In 2003, employment increased by 1.6 per cent to 435,400 with a net gain of 7,000 jobs. The labour force grew 1.2 per cent, a rate of growth lower than the growth in jobs. The net result was a lower unemployment rate in 2003, at 9.3 per cent, compared to 9.7 per cent for 2002.

Unemployment Rate
(per cent)



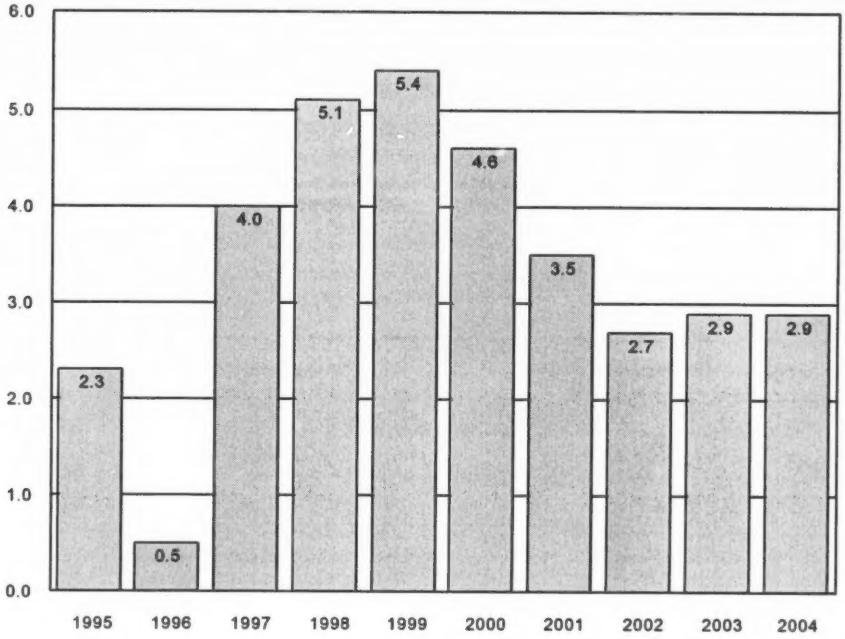
Consumer Spending and Income

Strong employment growth resulted in a 4.7 per cent increase in labour income, the largest share of personal income. Despite strong labour income growth, falling incomes from investments and slow growth in personal transfer payments resulted in reasonable personal income growth. Personal income grew 2.9 per cent in 2003, compared to a 2.7 per cent increase for 2002.

Personal expenditures on goods and services increased 5.2 per cent in 2003, up slightly from 5.0 per cent in 2002. Retail sales registered an increase of 1.5 per cent in 2003. The increase in consumer spending was concentrated in non-durable goods and services, with increases of 6.9 per cent and 5.7 per cent, respectively.

Personal Income Growth

(per cent)



Industry Performance

Goods Industries Employment

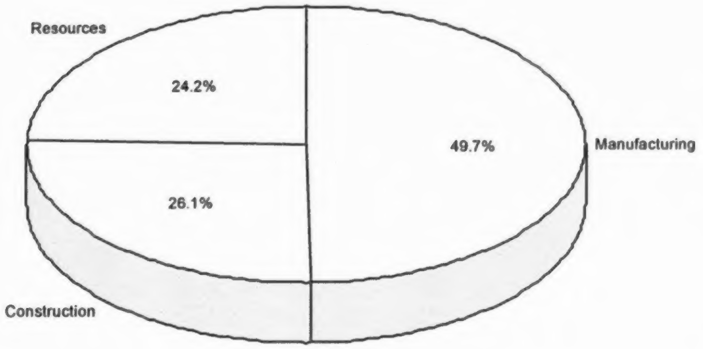
Goods-producing industries accounted for 22.3 per cent of the total employment in the Nova Scotia economy in 2003, with employment in the sector up 3.3 per cent from 2002.

Among goods-producing sectors, the largest increase in employment were posted in the forestry and fishing sectors, which saw employment increases of 12.8 and 25.4 per cent, respectively. High commodity prices and a booming housing market in Canada and the United States stimulated demand for forest products. Employment growth in the manufacturing sector grew by 5.2 per cent, as result of a 2.7 per cent increase in manufacturing shipments.

In 2003, the construction sector displayed an increase in employment of 0.4 per cent as a result of near capacity output in the sector. This full capacity was due to record levels of residential construction, plus more expenditures on renovations. Meanwhile, the mining, oil and gas extraction sector saw an overall decline of 29.7 per cent. A slowdown in offshore oil and gas exploration and development is partially to blame for this employment decline Agriculture experienced a 2.9 per cent decline in employment.

Employment by Goods Industries 2003

(as a per cent of Total Goods Industries Employment)



Services Industries Employment

Nova Scotia is predominantly a service-sector economy. Services industries account for 77.7 per cent of Nova Scotia's employment and registered a 1.2 per cent gain in employment in 2003.

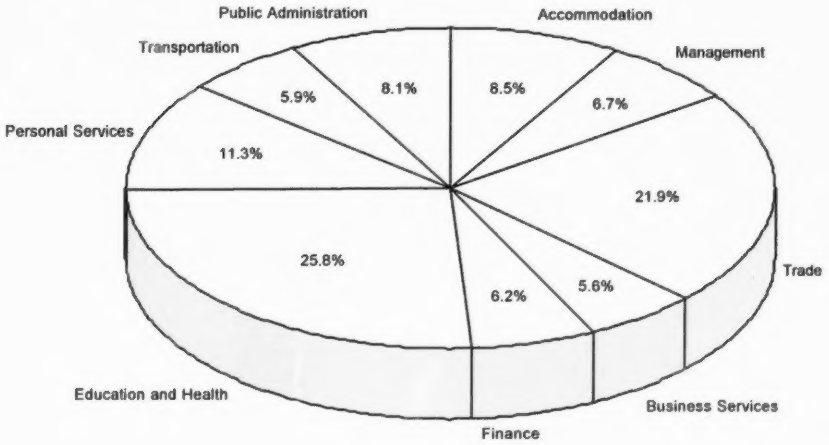
Education, health care and social assistance services are the largest component of the services sector with 25.8 per cent of the employment. In 2003, health care and social assistance employment increased 5.3 per cent; educational services grew by 0.3 per cent.

The next largest sector, retail and wholesale trade, represents 21.9 per cent of employment in services. The sector experienced a decline in employment of 3.1 per cent in 2003. All of the decline was in the retail sector; employment in the wholesale sector was up 8.5 per cent.

Employment growth was concentrated in the public administration, and real estate and leasing sectors, which grew by 18.6 per cent and 15.9 percent, respectively. Strong sales in real estate markets, plus the construction of more new houses, increased employment in real estate and leasing. Employment growth was also positive in the business, building and other support services sector, which grew by 6.0 per cent.

Employment by Service Industries 2003

(as a per cent of Total Services Industries Employment)



Employment decreases in 2003 were evident in the finance, insurance, real estate and leasing sector, as employment declined by 3.3 per cent. This was the result of an 11.2 per cent dip in finance and insurance employment, given the positive growth in real estate and leasing employment. The information, culture and recreation sector also experienced a minor decrease in employment of 1.1 per cent, while the accommodation and food services sector employment levels dropped by 5.6 per cent in 2003. Retail trade employment fell by 5.5 per cent, despite a 1.5 per cent growth in retail sales in 2003.

This document and other financial information may be obtained on the Department of Finance website at:

www.gov.ns.ca/finance

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NOVA SCOTIA

Public Accounts

VOLUME 2–AGENCIES AND FUNDS

for the fiscal year ended March 31, 2004

The Honourable Peter G. Christie,
Minister of Finance

Printed by Order of the Legislature
Halifax, Nova Scotia, 2004

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AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of 3052155 Nova Scotia Limited as at March 31, 2004 and the statement of operations and retained earnings and cash flows for the year ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatment. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG, LLP
Chartered Accountants

Halifax, Canada
May 20, 2004

3052155 NOVA SCOTIA LIMITED

Balance Sheet
March 31, 2004, with comparative figures for 2003

ASSETS

	2004	2003
	(In thousands)	
Cash and short-term investments	$ 19,172	$ 12,802
Prepaids and other assets (note 2)	384	1
	$ 19,556	$ 12,803

LIABILITIES AND SHAREHOLDER'S EQUITY

	2004	2003
Provision for site restoration (note 3)	$ 9,100	$ ---
Payables and accruals	780	---
Due to Province of Nova Scotia	79	---
Due to Nova Scotia Resources Limited	$ ---	$ 12,802
	$ 9,959	$ 12,802
Shareholder's equity:		
Capital stock:		
Authorized 100,000 common shares without par value		
Issued and outstanding: 1,000 common shares	$ 1	$ 1
Contributed surplus (note 4)	8,978	---
Retained earnings	618	---
	$ 9,597	$ 1
	$ 19,556	$ 12,803

See accompanying notes to financial statements.

3052155 NOVA SCOTIA LIMITED

Statement of Operations and Retained Earnings
year ended March 31, 2004, with comparative figures for 2003

	2004	2003
	(In thousands)	
Revenue:		
Interest income	$ 277	$ ---
Sundry income	434	---
	711	---
Expenses:		
Insurance	65	---
General and administrative	28	---
	93	---
Net Earnings, being retained earnings, end of year	$ 618	$ ---

Statement of Cash Flows
year ended March 31, 2004, with comparative figures for 2003

	2004	2003
	(In thousands)	
Cash derived from (applied to):		
Operating:		
Net earnings	$ 618	$ ---
Changes in non-cash operating working capital items:		
Prepaids and other assets	(383)	---
Payables and accruals	780	---
Due to Province of Nova Scotia	79	---
Due to Nova Scotia Resources Limited	(12,802)	12,802
	(11,708)	12,802
Financing:		
Contributed surplus received from shareholder (note 4)	8,978	—
Investing:		
Increase in provision for site restoration	9,100	—
Increase in cash	6,370	12,802
Cash and short-term investments, beginning of year	12,802	—
Cash and short-term investments, end of year	$ 19,172	$ 12,802

Supplemental cash flow information (note 5)

See accompanying notes to financial statements.

3052155 NOVA SCOTIA LIMITED

Notes to Financial Statements
Year Ended March 31, 2004

The Company was incorporate in 2001 for the purpose of holding and administering various assets and obligations transferred from Nova Scotia Resources Limited prior to the sale of that company's shares.

1. Significant accounting policies:

(a) Provision for site restoration:

The provision for future removal and site restoration costs for the Cohasset/Panuke project is based on current estimates. Expenses were recorded in Nova Scotia Resources (Ventures) Limited prior to the provision being transferred to the Company.

(b) Measurement uncertainty:

The amount recorded for site restoration is based on estimates of future costs. By its nature, this estimate is subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

2. Prepaids and other assets:

	2004	2003
	(In thousands)	
Accounts receivable	$ 26	$ 1
Prepaid expenses	353	---
Other assets	5	---
	$ 384	$ 1

3. Provision for site restoration - measurement uncertainty:

	2004	2003
	(In thousands)	
Cohasset/Panuke Project	$ 9,100	$ ---

The Cohasset/Panuke Project ceased producing oil in 1999.

The carrying value of the provision for remaining site restoration costs for the Cohasset/Panuke Project is based on abandonment studies conducted by independent third parties. The actual abandonment costs will be determined when the extent of the site restoration is approved by the Canada-Nova Scotia Offshore Petroleum Board. The Company's share of the costs of site restoration, based on the remediation option currently being considered has been estimated to range between $6 million and $12 million. The former joint venture partner of Nova Scotia Resources (Ventures) Limited continues to evaluate abandonment options which may reduce or defer the restoration liability.

The Company has assumed an obligation for a demand promissory note to the Canada-Nova Scotia Offshore Petroleum Board in the amount of $17.5 million as evidence of financial responsibility regarding the abandonment of the Cohasset/Panuke Project. This note is guaranteed by the Province of Nova Scotia.

4. Contributed surplus:

In anticipation of the sale of the shares of Nova Scotia Resources Limited, many of the monetary items from that company, together with the obligation for site restoration for the Cohasset/Panuke project, amounting to $8,978,000, were transferred from the Province of Nova Scotia as contributed surplus.

5. Supplemental cash flow information:

	2004	2003
	(In thousands)	
Cash received:		
Interest	$ 277	$ ---

6. Financial instruments - fair values:

The fair value of the Company's receivables and other assets, cash and short-term investments and payables and accruals approximate their carrying amounts due to the relatively short periods to maturity of these instruments.

7. Income taxes:

As a Crown corporation, the Company is not taxable under the provisions of the Income Tax Act of Canada.

AUDITORS' REPORT

To the shareholder of Agrapoint International Inc.

We have audited the balance sheet of Agrapoint International Inc. as at March 31, 2004 and the statements of earnings and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Lyle Tilley Davidson
Chartered Accountants

Halifax, Nova Scotia
June 22, 2004

AGRAPOINT INTERNATIONAL INC.

BALANCE SHEET
as at March 31, 2004

	2004	2003
ASSETS		
CURRENT ASSETS		
Cash	$ 119,459	$ 80,205
Short term investments - at cost (market value $995,842) (note 4)	953,225	1,047,299
Accounts receivable	127,547	44,978
Subscriptions receivable	1	1
HST recoverable (note 5)	315,772	236,109
Inventory	2,784	---
Prepaid expenses	20,045	20,267
	1,538,833	1,428,859
DEFERRED EXPENSES - AGRIFEST (note 8)	71,722	---
PROPERTY AND EQUIPMENT (note 6)	303,503	206,377
OTHER LONG-TERM ASSETS (note 7)	17,107	23,950
	$ 1,931,165	$ 1,659,186
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 207,315	$ 151,597
Current portion of capital lease obligation (note 11)	9,049	7,926
Current portion of long-term debt (note 12)	8,842	8,842
	225,206	168,365
DEFERRED REVENUE - AGRIFEST (note 8)	73,870	---
DEFERRED GOVERNMENT ASSISTANCE (note 9)	100,082	134,276
CAPITAL LEASE OBLIGATION (note 11)	16,273	25,322
LONG-TERM DEBT (note 12)	21,369	30,211
	436,800	358,174
SHAREHOLDER'S EQUITY		
CAPITAL STOCK (note 13)	1	1
RETAINED EARNINGS	1,494,364	1,301,011
	1,494,365	1,301,012
	$ 1,931,165	$ 1,659,186

AGRAPOINT INTERNATIONAL INC.

Statement of Earnings and Retained Earnings
for the year ended March 31, 2004

	2004	2003
REVENUE		
Government contribution	$ 2,200,000	$ 2,200,000
Consulting and fee revenue	406,595	125,906
Other	78,079	47,006
	2,684,674	2,372,912
OPERATING EXPENSES		
Advertising and promotion	41,464	49,393
Amortization	96,001	69,166
Bad debts	---	1,600
Contracts	126,756	119,514
Director and meeting expenses	46,100	18,605
Dues and professional development	44,438	63,351
Industry development and workshops	39,402	25,057
Information technology	30,453	52,301
Insurance	20,678	19,461
Interest and bank charges	2,965	2,345
Interest on capital lease obligation	3,857	4,839
Office	46,282	45,470
Postage and courier	11,577	6,670
Professional fees	30,338	29,540
Rent and utilities	70,937	50,061
Repairs and maintenance	2,780	3,215
Salaries, wages and benefits	1,599,499	1,299,035
Supplies	9,442	---
Telephone	51,681	42,970
Travel	246,867	217,184
	2,521,517	2,119,777
	163,157	253,135
OTHER INCOME (EXPENSE)		
Amortization of deferred government assistance (note 9)	34,195	50,435
Loss on disposal of property and equipment	(3,999)	(12,255)
	30,196	38,180
EARNINGS FOR THE YEAR	193,353	291,315
RETAINED EARNINGS - BEGINNING OF YEAR	1,301,011	1,009,696
RETAINED EARNINGS - END OF YEAR	$ 1,494,364	$ 1,301,011

AGRAPOINT INTERNATIONAL INC.

STATEMENT OF CASH FLOW
for year ended March 31, 2004

	2004	2003
CASH FLOW FROM OPERATING ACTIVITIES		
Earnings for the year	$ 193,353	$ 291,315
Adjustments for:.		
Amortization of property and equipment	89,158	62,323
Amortization of other assets	6,843	6,843
Amortization of deferred government assistance	(34,195)	(50,435)
Loss on disposal of property and equipment	3,999	12,255
	259,158	322,301
Changes in non-cash working capital:		
Accounts receivable	(162,232)	(100,840)
Inventory	(2,784)	---
Prepaid expenses	223	(15,798)
Deferred expenses - Agrifest	(71,722)	---
Accounts payable and accrued liabilities	55,718	28,460
Deferred revenue - Agrifest	73,870	---
	152,231	234,123
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of capital lease obligation	(7,926)	(6,944)
Proceeds on financing of leasehold improvements	---	44,211
Repayment of financing on leasehold improvements	(8,842)	(5,158)
	(16,768)	32,109
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(193,976)	(95,690)
Proceeds from sale of property and equipment	3,693	1,800
Proceeds (purchases) of short-term investments	94,074	(252,482)
	(96,209)	(346,372)
INCREASE (DECREASE) IN CASH DURING THE YEAR	39,254	(80,140)
CASH - BEGINNING OF YEAR	80,205	160,345
CASH - END OF YEAR	$ 119,459	$ 80,205
Interest paid on capital lease obligations	$ 3,857	$ 4,839

AGRAPOINT INTERNATIONAL INC.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2004

1. CONTENT OF FINANCIAL STATEMENTS

The Agricultural Development Institute Limited was incorporated under the Nova Scotia Companies Act on August 21, 2000, and actively began providing services to the agricultural industry of Nova Scotia in April 2001. Effective October 15, 2002, the Institute changed its name to AgraPoint International Inc. Established by the Province of Nova Scotia, AgraPoint's objectives are to provide innovative development services that empower the agri-food industry to create new value. Its three main core values are empowerment of the client, importance of rural life and commitment to the future development of the agri-food industry.

2. ACCOUNTING POLICIES

Financial instruments

The carrying value of current assets and current liabilities approximate fair value due to the short-term nature of these instruments. The carrying value of all other financial instruments approximate fair value.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the company's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

Inventory

Inventory is valued at the lower of cost, determined using average costing, and net realizable value.

Property and equipment

Property and equipment are recorded at cost, and are amortized using the following annual rates and methods:

Asset	Rate %	Method
Computer equipment	30	Declining balance
Computer software	100	Declining balance
Furniture and fixtures	20	Declining balance
Capital leases of equipment	20	Declining balance
Leasehold improvements	20	Straight-line

Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Other assets

Other assets are recorded at cost, and are amortized using the straight-line method over five years. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Government assistance

Government assistance related to property and equipment and other assets is deferred and amortized to earnings on the same basis as the related asset.

3. TAXATION

The Institute and its property are exempt from taxation under section 149(1)(e) of the Income Tax Act.

4. SHORT-TERM INVESTMENTS

The investments are comprised of government bonds, treasury bills and other interest bearing investments.

5. HST RECOVERABLE

The balance recoverable is made up of input tax credits from the time of inception as the company was awaiting a ruling from the HST division of Canada Customs and Revenue Agency (CCRA) to confirm that this is the proper treatment. During the year a favourable ruling has been received, and this amount is expected to be received in full.

6. PROPERTY AND EQUIPMENT

	2004			2003
	Cost	**Accumulated amortization**	**Net**	**Net**
Computer equipment.	175,366	71,863	103,503	75,409
Computer software.	55,189	38,713	16,476	7,359
Furniture and fixtures.	113,295	30,714	82,581	51,613
Capital leases of equipment. . . .	44,730	18,965	25,765	32,206
Leasehold improvements.	93,356	18,178	75,178	39,790
	$ 481,936	$ 178,433	$ 303,503	$ 206,377

7. OTHER ASSETS

	2004			2003
	Cost	**Accumulated amortization**	**Net**	**Net**
Web site development.	$ 34,215	$ 17,108	$ 17,107	$ 23,950

During the year ending March 31, 2002, the company incurred various web site development and creation costs. These costs have been capitalized and are being amortized using the straight-line method over five years.

8. DEFERRED EXPENSES AND REVENUES - AGRIFEST

Agrifest is an outdoor fistival celebrating innovations in food production for farmers and the general public to be held in August, 2004. Deferred expenses and revenues relate to costs incurred and fees collected for this event.

9. GRANT FOR STARTUP COSTS

The Nova Scotia Department of Agriculture and Fisheries transferred $600,000 to the Institute on April 17, 2001. This amount is restricted to assist in start-up costs and to provide appropriate contingency funds for wind-up or other liabilities. It may also be used to fund specific projects identified by the Board, or for capital purchases. The portion of these funds used to acquire property and equipment and other assets amounted to $215,429 and has been recorded as deferred government assistance in these financial statements. The remaining $384,571 was recorded as reductions of the corresponding expenses in the fiscal year ending March 31, 2002.

10. ECONOMIC DEPENDENCE

The corporation receives annual operating contributions from the Province of Nova Scotia to cover its operating expenses. Although the corporation is working towards self-sufficiency through the development of alternate revenue streams, the continued operation of the corporation currently depends on the receipt of the annual operating contribution.

11. CAPITAL LEASE OBLIGATION

		2004		**2003**
Capital lease obligations, bearing interest at 13.69%, repayable in blended quarterly instalments of $2,946 until June 2006.	$	25,322	$	33,248
Less: current portion.		(9,049)		(7,926)
	$	16,273	$	25,322

12. LONG-TERM DEBT

		2004		**2003**
Financing of leasehold improvements, non-interest bearing, repayable in monthly principal instalments of $737, until August 2007.	$	30,211	$	39,053
Less: current portion.		(8,842)		(8,842)
	$	21,369	$	30,211

The aggregate amount of principal payments required in each of the next four years to meet retirement provisions are as follows:

Year ending March 31,	2005	$	8,842
	2006		8,842
	2007		8,842
	2008		3,685

13. CAPITAL STOCK

	2004	2003
Authorized -		
1,000,000 common shares without nominal or par value		
1,000,000 common shares with a par value of $1.00 each		
Issued -		
1 common share without nominal or par value	$ 1	$ 1

14. COMMITMENTS

The aggregate annual payments under long-term property leases expiring January 2005 and August 2007 are as follows:

Year ending March 31,	2005	$ 75,298
	2006	33,972
	2007	33,972
	2008	14,155

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of AgriTECH Park Incorporated as at March 31, 2004 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Because we were appointed auditors of the company during the current year, we were not able to satisfy ourselves concerning opening balances. Since opening balances enter into the determination of the results of operations and cash flows, we were unable to determine whether adjustments to the results of operations, opening deficit and cash flows from operations might be necessary.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to opening balances, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Price Waterhouse Coopers LLP
Chartered Accountants

May 27, 2004

AGRITECH PARK INCORPORATED

Balance Sheet
as at March 31, 2004

		2004
ASSETS		
Current Assets		
Accounts receivable	$	64,048
LIABILITIES		
Current liabilities		
Accounts payable	$	6,210
Due to Nova Scotia Department of Agriculture and Fisheries (note 5)		300,454
		306,664
Shareholder's Equity		1
Capital Stock		(242,617)
Deficit		(242,616)
	$	64,048

AGRITECH PARK INCORPORATED

Statement of Income and Retained Earnings
for the year ended March 31, 2004

		2004
Revenue		
Conference		
Meals	$	136,105
Lodging		87,165
Rental		
Facilities		109,634
Other		12,890
Sundry		18,216
		364,010
Operating expenses		
Advertising		2,086
Catering services		133,355
Heat		69,509
Lights		36,572
Motor vehicle		3,655
Office and postage		7,271
Repairs and maintenance		95,045
Salaries and benefits		205,585
Security		26,464
Sundry		4,862
Supplies		5,737
Telecommunications		16,441
		606,582
Loss from operations before departmental recoveries		(242,572)
Departmental recoveries and grants (note 5)		198,628
Net loss for the year		(43,944)
Deficit - Beginning of the year		(198,673)
Deficit - End of year	$	(242,617)

AGRITECH PARK INCORPORATED

Statement of Cash Flows
for the year ended March 31, 2004

		2004
Cash flows from operating activities		
Net loss for the year	$	(43,944)
Increase in acounts receivable		(64,048)
Increase in accounts payable		6,210
Increase in payable to Nova Scotia Department of Agriculture and Fisheries (note 5)		101,782
Cash flows from operating activities and Cash - End of year	$	---

AGRITECH PARK INCORPORATED

Notes to Financial Statements
March 31, 2004

1. Governing status and nature of activities

The Company, incorporated under the Nova Scotia Companies Act on December 9, 1997, operates a business development and agri-business centre in Bible Hill, Nova Scotia. In addition to offering conference facilities, AgriTECH Park's objective is to assist in the development of innovative products and services in the agricultural and environment sectors in Atlantic Canada.

2. Accounting policies

Financial Instruments

The company's financial instruments consist of accounts receivable, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles may require the company's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

3. Income Taxes

The company is exempt for taxation under Section 149(1)(e) of the Income Tax Act.

4. Economic dependence

The company receives significant operating contributions from, and is considered to be economically dependent on the Nova Scotia Department of Agriculture and Fisheries for its continued economic viability.

5. Related party transactions

The company is related to the Nova Scotia Department of Agriculture and Fisheries, as the outstanding common share of the company is held by the Minister of this department. Transactions between these related parties are departmental recoveries and grants in the amount of $198,628. Amounts due to the Nova Scotia Department of Agriculture and Fisheries are disclosed separately in the financial statements.

The company is also related to another company by reason of a common shareholder. Transactions between these related parties are facilities rental in the amount of $28,906. During the year, an amount of $8,842 was paid by the related party on account of leasehold improvements and the remaining balance receivable at March 31, 2004 is $30,211.

6. Capital stock

	2004
Authorized	
50,000 common shares	
Issued	
1 common share	$ 1

AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of
Annapolis Valley District Health Authority

We have audited the statement of financial position of the Annapolis Valley District Health Authority as at March 31, 2004 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the District Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the District Health Authority as at March 31, 2004 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

June 2, 2004

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY

Statement of Operations
for the year ended March 31, 2004

	Operating Fund	Capital Fund	2004 Total	Note (15) 2003 Total
Revenue				
Department of Health	$ 67,435,064	$ ---	$ 67,435,064	$ 61,315,896
Veterans Affairs Canada	2,017,269	---	2,017,269	1,872,685
Patient	2,071,182	---	2,071,182	2,012,169
Program recoveries	4,305,734	---	4,305,734	3,857,003
Amortization of deferred capital grants	---	3,217,545	3,217,545	2,989,498
Other	324,367	15,319	339,686	187,080
	76,153,616	3,232,864	79,386,480	72,234,331
Expenses				
Administration and support	3,821,529	---	3,821,529	3,278,175
Addiction	1,704,662	---	1,704,662	1,383,482
Diagnostic imaging	3,469,635	---	3,469,635	3,491,438
Environmental	2,977,180	---	2,977,180	2,688,934
Finance	904,175	---	904,175	798,771
Food and nutrition	3,256,644	---	3,256,644	3,182,561
Health information	1,874,990	---	1,874,990	1,824,422
Human resources	877,281	---	877,281	628,886
Information technology	1,607,745	---	1,607,745	1,235,212
Laboratory	4,707,984	---	4,707,984	4,526,903
Materials management	1,715,020	---	1,715,020	1,560,181
Mental health	6,341,404	---	6,341,404	4,437,636
Nursing	30,815,493	---	30,815,493	29,081,593
Pharmacy	761,581	---	761,581	691,648
Plant and support	4,490,239	---	4,490,239	4,884,271
Public health	1,397,569	---	1,397,569	1,558,603
Rehabilitation	1,410,789	---	1,410,789	1,359,339
Other programs	1,673,451	---	1,673,451	1,581,665
Amortization of property, plant and equipment	---	3,286,040	3,286,040	3,274,192
Employee future benefits	1,827,980	---	1,827,980	451,103
Sundry	497,495	2,748	500,243	607,872
Interest on long-term debt	---	4,303	4,303	---
	76,132,846	3,293,091	79,425,937	72,526,887
Excess (deficiency) of revenues over expenses	$ 20,770	$ (60,227)	$ (39,457)	$ (292,556)

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY

Statement of Financial Position
as at March 31, 2004

ASSETS

	Operating Fund	Capital Fund	2004 Total	(Note 15) 2003 Total
Current				
Cash and cash equivalents	$ 7,848,475	$ 530,395	$ 8,378,870	$ 2,155,507
Accounts receivable (Note 3)	6,180,605	1,487,513	7,668,118	11,067,457
Inventory	1,110,281	---	1,110,281	1,010,852
Prepaid expenses	424,573	15,566	440,139	361,950
	15,563,934	2,033,474	17,597,408	14,595,766
Long-term assets (Note 4)	5,842,804	179,166	6,021,970	4,540,388
Property, plant and equipment (Note 5)	---	46,112,707	46,112,707	45,546,658
	$ 21,406,738	$ 48,325,347	$ 69,732,085	$ 64,682,812

LIABILITIES

	Operating Fund	Capital Fund	2004 Total	(Note 15) 2003 Total
Current				
Accounts payable and accrued liabilities (Note 7)	$ 11,391,000	$ 1,441,103	$ 12,832,103	$ 11,636,152
Current portion of long-term debt (Note 8)	---	8,295	8,295	---
Revenue received in advance	4,666,280	---	4,666,280	3,442,866
	16,057,280	1,449,398	17,506,678	15,079,018
Long-term debt (Note 8)	---	192,125	192,125	---
Employee future benefits (Note 13)	5,328,688	---	5,328,688	3,723,579
Deferred capital grants (Note 9)	---	45,778,101	45,778,101	44,914,265
	21,385,968	47,419,624	68,805,592	63,716,862

FUND BALANCES

	Operating Fund	Capital Fund	2004 Total	(Note 15) 2003 Total
Restricted (Page 26)	---	358,487	358,487	347,231
Unrestricted (Page 26)	20,770	547,236	568,006	618,719
	20,770	905,723	926,493	965,950
	$ 21,406,738	$ 48,325,347	$ 69,732,085	$ 64,682,812

Commitments (Note 10)

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY

Statement of Changes in Fund Balances
For the Year Ended March 31, 2004

	Operating Fund	Capital Fund	2004 Total	2003 Total
Restricted Fund Balances				
Balance, beginning of year	$ ---	$ 347,231	$ 347,231	$ 322,028
Transfer from unrestricted fund balance	---	11,256	11,256	13,787
Excess of revenues over expenses	---	---	---	11,416
Balance, end of period	---	358,487	358,487	347,231
Unrestricted Fund Balances				
Balance, beginning of year	---	618,719	618,719	936,478
Transfer to restricted fund balance	---	(11,256)	(11,256)	(13,787)
Excess (deficiency) of revenues over expenses	20,770	(60,227)	(39,457)	(303,972)
Balance, end of period	20,770	547,236	568,006	618,719
Total Fund Balances	$ 20,770	$ 905,723	$ 926,493	$ 965,950

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY

Statements of Cash Flows
Year Ended March 31, 2004

	Operating Fund	Capital Fund	2004 Total	(Note 15) 2003 Total
Net inflow (outflow) of cash related to the following activities:				
Operating				
Excess (deficiency) of revenues over expenditures . . . . $	20,770 $	(60,227)$	(39,457) $	(292,556)
Adjusted for:				
Amortization of property, plant and equipment (Page 24). . . .	—	3,286,040	3,286,040	3,274,192
Amortization of deferred capital grants (Page 24).	—	(3,217,545)	(3,217,545)	(2,989,498)
Employee future benefits (Page 24).	1,827,980	—	1,827,980	451,103
Changes in non-cash working capital items (Note 12)	4,184,119	1,695,074	5,879,193	927,784
Payment of employee future benefits (Note 13)	(222,871)	—	(222,871)	(244,669)
	5,809,998	1,703,342	7,513,340	1,126,356
Financing				
Proceeds from capital grants (Note 9).	—	4,081,381	4,081,381	3,591,757
Proceeds from long-term debt (Note 8)		250,000	250,000	
Repayment of long-term debt.	—	(49,580)	(49,580)	(97,317)
	—	4,281,801	4,281,801	3,494,440
Investing				
Investment in long-term assets.	(1,540,521)	(179,166)	(1,719,687)	(775,423)
Acquisition of property, plant and equipment.	—	(3,852,091)	(3,852,091)	(3,278,331)
	(1,540,521)	(4,031,257)	(5,571,778)	(4,053,754)
Net cash inflow.	4,269,477	1,953,886	6,223,363	567,042
Cash and cash equivalents (bank indebtedness),beginning of year. . . .	3,578,998	(1,423,491)	2,155,507	1,588,465
Cash and cash equivalents, end of year. . . . . $	7,848,475 $	530,395 $	8,378,870 $	2,155,507

Supplemental cash flow information:

Interest (recovered) paid. . . . .$	(81,443)$	21,317 $	(60,126) $	(3,963)

1. DESCRIPTION OF ORGANIZATION

The Annapolis Valley District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000 The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The Annapolis Valley District Health Authority's mission: "Working together to support and improve the health of individuals and communities in the Annapolis Valley".

The facilities owned and operated by the District Health Authority are Annapolis Community Health Centre, Eastern Kings Memorial Community Health Centre, Soldiers Memorial Hospital and Valley Regional Hospital. In addition, the District Health Authority leases space to operate certain programs at the Western Kings Memorial Health Centre and other locations throughout Annapolis and Kings counties for the delivery of certain programs and services and supports five (5) Community Health Boards.

The Annapolis Valley District Health Authority is a registered charity under the Income Tax Act of Canada and, therefore, is exempt from income tax.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies and include the following significant accounting policies:

a) Fund Accounting

Revenue and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to the Annapolis Valley District Health Authority's capital assets and special purpose endowment funds.

b) Revenue Recognition

The Annapolis Valley District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted capital fund balances.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and money market investments.

d) Inventory

Inventories are recorded at the lower of average cost and replacement cost, and include medical/surgical, drugs, and other general inventory.

e) Property, Plant and Equipment

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the capital fund at fair value at the date of contribution. Capital assets transferred from Western Regional Health Board are recorded at original cost less accumulated amortization. Amortization is provided on a straight-line basis at the following annual rates

Land improvements	5 - 10%
Building and building service equipment	2.5 - 20%
Equipment	5 - 33%
Equipment under capital lease	5 - 20%

f) Deferred Capital Grants

Deferred contributions reported in the capital fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as amortization of the related assets.

g) Employee Future Benefits

Employee future benefits are determined based on assumptions as outlined in Note 13 and recognized in the period in which benefits are earned by the employee.

h) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principals requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenues and expenses for the year then ended. Actual results may differ from those estimates.

3. ACCOUNTS RECEIVABLE

	Operating Fund	Capital Fund	2004 Total	2003 Total
Department of Health				
Operating funding.	$ 3,649,950	$ ---	$ 3,649,950	$ 5,318,256
Transition support program	191,033	---	191,033	607,373
Capital grants	---	488,830	488,830	1,120,402
Veteran's Affairs Canada	178,053	481,109	659,162	25,056
Patient Care.	688,548	---	688,548	605,798
HST rebates.	785,112	310,504	1,095,616	364,891
Charitable foundations	144,947	42,729	187,676	703,744
Psychiatric recoveries	143,332	---	143,332	182,200
Federal grant funding.	54,549	---	54,549	250,606
Trade.	345,081	164,341	509,422	1,889,131
	$ 6,180,605	$ 1,487,513	$ 7,668,118	$ 11,067,457

4. LONG-TERM ASSETS

	Operating Fund	Capital Fund	2004 Total	2003 Total
Payroll advances	$ 365,248	$ ---	$ 365,248	$ 470,593
Employee future benefits	5,477,556	---	5,477,556	3,831,689
Fedelis House Society.		179,166	179,166	238,106
	$ 5,842,804	$ 179,166	$ 6,021,970	$ 4,540,388

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2004	Net Book Value 2003
Land and land improvements	$ 687,344	$ 289,035	$ 398,309	$ 418,132
Building and building service equipment	62,851,602	22,023,175	40,828,427	39,712,868
Equipment	35,870,471	30,984,500	4,885,971	5,415,658
	$ 99,409,417	$ 53,296,710	$ 46,112,707	$ 45,546,658

6. CREDIT FACILITIES

The District Health Authority has available operating lines of credit with a Canadian chartered bank totalling $4.1 million. As well, the District Health Authority has available a capital line of credit in the amount of $1,025,000 with a Canadian chartered bank. As of March 31, 2004, interest charges on any overdraft accounts are prime less .75%. There were no amounts on these lines at March 31, 2004 as the consolidated bank balance (South Shore District Health Authority, South West Nova District Health Authority, and the Annapolis Valley District Health Authority) was positive.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Operating Fund	Capital Fund	2004 Total	2003 Total
Trade payables	$ 1,825,694	$ 263,689	$ 2,089,383	$ 1,581,077
Accrued liabilities	1,348,121	1,177,414	2,525,535	1,716,228
Vacation pay	3,977,078	—	3,977,078	3,955,168
Salary and benefits	3,672,876	—	3,672,876	3,565,545
Miller building removal	203,706	—	203,706	500,000
Other	363,525	—	363,525	318,134
	$ 11,391,000	$ 1,441,103	$ 12,832,103	$ 11,636,152

8. LONG-TERM DEBT

	2004	2003
Nova Scotia Housing Development Corporation		
Interest at 7.13%, maturing December 1, 2028	$ 200,420	$ —
Current portion	(8,295)	—
	$ 192,125	$ —

Estimated minimum principal repayments over the next five years are expected to be as follows:

2005	2006	2007	2008	2009
$ 8,295	$ 8,009	$ 8,590	$ 9,214	$ 9,883

9. DEFERRED CAPITAL GRANTS

	2004	2003
Balance, beginning of year	$ 44,914,265	$ 44,312,006
Grant received for:		
Capital assets purchased	2,896,085	1,304,652
Future capital asset purchases	1,185,296	2,287,105
	48,995,646	47,903,763
Amortization of deferred capital grants	(3,217,545)	(2,989,498)
Balance, end of year	$ 45,778,101	$ 44,914,265

10. COMMITMENTS

Leases and Purchase Commitments

The Annapolis Valley District Health Authority has committed funds from operations for the purchase of lab reagents, occupancy and equipment leases. Estimated minimum lease payments and film purchases over the next five years are expected to be as follows:

2005	2006	2007	2008	2009
$ 1,164,184	$ 766,255	$ 541,348	$ 541,348	$ 7,638

11. PENSION PLAN

The Annapolis Valley District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted December 31, 2000 and showed an unfounded liability for the entire plan of $nil.

The second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2003. At this time, there was an unfunded liability. Annapolis Valley District Health Authority bears no direct financial responsibility for the unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2004 was $2,433,696 (2003 - $2,106,051).

12. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Operating Fund	Capital Fund	2004 Total	2003 Total
Accounts receivable	$ 2,894,029	$ 743,415	$ 3,637,444	$ (154,541)
Inventory	(99,429)	---	(99,429)	(76,649)
Prepaid expenses	(230,493)	152,306	(78,187)	(60,187)
Accounts payable and accrued liabilities	396,598	799,353	1,195,951	439,981
Revenue received in advance	1,223,414	---	1,223,414	779,180
	$ 4,184,119	$ 1,695,074	$ 5,879,193	$ 927,784

13. EMPLOYEE FUTURE BENEFITS

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the Annapolis Valley District Health Authority, upon retirement. The most recent actuarial valuation was for the year ended December 31, 2003. Actuarial liabilities as at March 31, 2004 were extrapolated from the results of the December 31, 2003 actuarial valuation.

Financial position of the program as follows:

Continuity Schedule	2004	2003
Liability, beginning of year	$ 3,723,579	$ 3,517,145
Current service costs	362,400	235,600
Amendment in plan terms	1,179,900	---
Interest on liability	275,400	229,100
Benefits paid out to retirees	(222,871)	(244,669)
Current year amortized actuarial loss (gain)	10,280	(13,597)
Liability, end of year	$ 5,328,688	$ 3,723,579

Significant actuarial assumptions were adopted in measuring the financial position of the program as at March 31, 2004 using the projected benefit method based on membership information provided by the Nova Scotia Association of Health Organizations ("NSAHO") as of December 31, 2003. The discount rate used was 6.17% and the salary growth rate 3.65% per year, plus promotional scale. Amortization is caculated over the expected average remaining service life of the employee group covered by the plans, namely 13.0 years. The net expenditure related to these employee future benefits was $1,827,980 (2003- $451,103) for the year.

During the year, retirement benefits were amended to reflect revised plan provisions resulting in an addition to the liability of $1,179,900.

All accumulated liabilities of the retiring allowance program of the Annapolis Valley District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2004.

14. FINANCIAL INSTRUMENTS

Fair Value

The reported values of financial instruments which consist of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the near term maturity of these instruments.

Credit Risk

The Annapolis Valley District Health Authority performs a continuous evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2004.

15. COMPARATIVE FIGURES

Certain of the comparative figures shown in these financial statements have been reclassified to conform to the current year's presentation.

AUDITORS' REPORT

To the Chairman and Members of the
Annapolis Valley Regional School Board

We have audited the Operating Fund and Trust Fund balance sheets of the Annapolis Valley Regional School Board as at March 31, 2004, and the statement of operations for the year then ended. These financial statements have been prepared to comply with the accounting principles as prescribed by the Department of Education School Board Financial Handbook. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2004 and the results of operations for the year then ended, in accordance with the basis of accounting described in Note 1 to the financial statements.

These financial statements which have not been, and were not intended to be, prepared in full compliance with Canadian generally accepted accounting principles, are solely for the information and use of the members of the Annapolis Valley Regional School Board and the Nova Scotia Departments of Education and Finance. These financial statements are not intended to be and should not be used by anyone other than the specified users for any other purpose.

MORSE AND BREWSTER
Chartered Accountants

Berwick, Nova Scotia
May 26, 2004

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Operating Fund Balance Sheet
For the Year Ended March 31, 2004

Financial and Capital Assets

		2004		2003
Financial Assets				
Cash	$	9,863	$	806,117
Accounts Receivable				
Province of Nova Scotia		9,875,362		10,899,204
Government of Canada		669,325		732,012
Municipalities		8,058		27,040
Other		1,348,834		1,007,766
Due from Trust Funds		8,711		27,635
Prepaid Expenses		29,457		449,852
Restricted Cash & Investments (Note 2)		35,047		17,895
Total Financial Assets	$	11,984,657	$	13,967,521
Capital Assets				
Net Book Value of Capital Assets (Note 1)		84,145,885		84,353,915
Financial and Capital Assets	$	96,130,542	$	98,321,436

Liabilities and Retained Earnings

		2004		2003
Liabilities				
Payables and Accruals-Trade	$	974,362	$	806,696
Payables and Accruals-Government				
Province of Nova Scotia		45,740		94,063
Government of Canada		15,211		1,114
Municipalities		21,051		20,286
Other		523,085		3,270,232
Current portion of Long-term Debt		757,637		376,048
Deferred Revenues		1,105,269		1,064,102
Due to Trusts Funds		10,560		---
Retirement Obligations (Note 3)		7,505,000		7,505,000
Equity-Capital		84,145,885		84,353,915
Total Liabilities	$	95,103,800	$	97,491,456
Retained Earnings				
Retained Earnings represented by:				
Unrestricted Retained Earnings	$	991,695	$	812,085
Restricted Retained Earnings		35,047		17,895
Total Retained Earnings	$	1,026,742	$	829,980
Liabilities and Retained Earnings	$	96,130,542	$	98,321,436

Commitments (Note 6)

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Statement of Operations
For the Year Ended March 31, 2004

	2004 Budget	2004 Actual	2003 Actual
Revenue (Schedule A)			
Province of Nova Scotia	$ 77,932,797	$ 78,117,506	$ 75,183,771
Government of Canada	1,305,844	1,365,442	1,388,352
Municipal Contributions	15,018,365	15,018,365	14,669,095
Other Revenues	3,153,463	3,334,728	4,070,896
	$ 97,410,469	$ 97,836,041	$ 95,312,114
Expenses (Schedule B)			
Total Board Governance	$ 291,815	$ 267,644	$ 278,152
Total Regional Management	2,783,482	2,657,330	2,607,579
Total School Management	8,832,311	8,192,884	7,994,370
Total Instruction	53,255,285	54,510,274	54,047,432
Total Student Support	12,481,468	12,778,578	10,982,071
Total Adult Education	1,201,724	1,252,518	1,583,181
Total Property Services	9,304,760	8,414,373	8,907,330
Total Student Transportation	6,914,644	6,815,196	6,809,096
Other Programs	2,344,980	2,070,333	1,463,602
Interest Expense	---	496,000	438,000
	$ 97,410,469	$ 97,455,130	$ 95,110,813
Annual Operating Surplus	$ ---	$ 380,911	$ 201,301

Statement of Retained Earnings
For the Year Ended March 31, 2004

	2004	2003
Opening Balance, Unrestricted Retained Earnings	$ 812,085	$ 1,342,700
Annual Operating Surplus	380,911	201,301
Less: Transfers to Operating	201,301	731,916
Closing Balance, Unrestricted Retained Earnings	$ 991,695	$ 812,085
Opening Balance, Reserves	$ 812,085	$ 610,784
Plus: Transfers from Unrestricted Retained Earnings	380,911	201,301
Less: Transfers to Unrestricted Retained Earnings	201,301	---
Closing Balance, Reserves	991,695	812,085
Total Balance, Retained Earnings	$ 991,695	$ 812,085

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Trust Fund Balance Sheet
For the Year Ended March 31, 2004

ASSETS

	2004	2003
Cash	$ 1,060,938	$ 882,987
Investments, at cost	3,700	3,700
Receivables		
Province of N.S.	45,290	54,233
Gov. of Canada	---	10,901
Due from Operating	10,560	---
	$ 1,120,488	$ 951,821

LIABILITIES

	2004	2003
Payables and Accruals-Trade	$ 6,068	$ 62,237
Payables and Accruals-Other	472	541
Due to Operating	8,711	27,635
	15,251	90,413

EQUITY

	2004	2003
Trust Funds (Note 4)	1,105,237	861,408
	$ 1,120,488	$ 951,821

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Schedule A - Supplementary Detail of Revenues
For the Year Ended March 31, 2004

Revenue	2004 Budget	2004 Actual	2003 Actual
Province of Nova Scotia:			
Operating	$ 69,642,000	$ 69,912,290	$ 65,234,446
Restricted	6,659,580	6,660,391	6,278,379
Capital	343,000	90,686	308,700
Other	1,156,995	1,239,104	3,192,263
Recoveries	131,222	215,035	169,983
Total Province of Nova Scotia	$ 77,932,797	$ 78,117,506	$ 75,183,771
Government of Canada			
IA Northern Development	$ 240,000	$ 281,563	$ 241,756
HRDC	719,000	715,098	844,165
Secretary of State	297,244	319,180	263,842
Other	49,600	49,601	38,589
Total Government of Canada	$ 1,305,844	$ 1,365,442	$ 1,388,352
Municipal Contributions:			
Manadatory	$ 15,018,365	$ 15,018,365	$ 14,669,095
Total Municipal Contributions	$ 15,018,365	$ 15,018,365	$ 14,669,095
Other Revenues			
Board Generated-Other	$ 1,595,223	$ 1,661,809	$ 1,878,268
Other Revenue - Schools	---	398,097	599,162
Tuition - Students	400,000	451,061	189,024
Registration	309,140	322,621	375,422
Rentals	9,100	33,732	25,457
Interest/Investments	125,000	142,591	106,422
Recoveries - Non-governmental	---	122,657	66,709
Sale of Assets	15,000	859	12,384
Transfer from Unrestricted Retained Earnings	700,000	201,301	731,916
From Other-GSO's	---	---	86,132
Total Other Revenues	$ 3,153,463	$ 3,334,728	$ 4,070,896
Total Revenues	$ 97,410,469	$ 97,836,041	$ 95,312,114

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures
For the Year Ended March 31, 2004

Expenses:	2004 Budget	2004 Actual	2003 Actual
Board Governance:			
Board Members	$ 193,400	$ 167,538	$ 177,872
Board Secretary	32,504	30,117	29,878
NSSBA & Other	65,911	69,989	70,402
Total Board Governance	$ 291,815	$ 267,644	$ 278,152
Regional Management:			
Management Services	$ 1,467,606	$ 1,491,556	$ 1,449,776
Financial Services	328,361	293,929	314,741
Human Resources Services	855,845	757,588	716,131
Communication Services	55,666	41,130	57,326
ITS - Regional	76,004	73,127	69,605
Total Regional Management	$ 2,783,482	$ 2,657,330	$ 2,607,579
School Management & Support:			
School Management	$ 6,004,868	$ 5,505,447	$ 5,749,864
Program & Curriculum Support	1,680,111	1,594,656	1,199,220
ITS - Site Specific	1,147,332	1,092,781	1,045,286
Total School Management	$ 8,832,311	$ 8,192,884	$ 7,994,370
Instructional & School Services:			
Instruction	$ 51,285,738	$ 52,601,486	$ 52,180,457
Guidance Services	944,959	944,959	931,623
Library Services	1,024,588	963,829	935,351
Total Instruction	$ 53,255,285	$ 54,510,274	$ 54,047,431
Student Support:			
Program Management	$ 96,560	$ 93,232	$ 104,817
Instruction	11,225,523	11,617,175	9,958,587
Program & Curriculum Support	1,159,385	1,068,171	918,667
Total Student Support	$ 12,481,468	$ 12,778,578	$ 10,982,071

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (Continued)
For the Year Ended March 31, 2004

Adult & Community Education:			
Program Management	$ 176,295	$ 176,559	$ 159,652
Instruction	908,429	952,119	1,364,282
Program & Curriculum Support	117,000	123,840	59,247
Total Adult Education	$ 1,201,724	$ 1,252,518	$ 1,583,181
Property Services:			
Management Services	$ 482,701	$ 494,473	$ 482,010
Custodial Services	3,121,813	3,056,369	2,946,153
Maintenance Services	5,425,246	4,524,936	5,205,481
Grounds Services	275,000	338,595	273,686
Total Property Services	$ 9,304,760	$ 8,414,373	$ 8,907,330
Student Transportation:			
Management Services	$ 296,916	$ 267,465	$ 291,702
Transportation (Board)	1,950,755	1,970,974	1,862,044
Maintenance (Board)	719,184	695,517	732,742
Transportation (Contract)	3,946,213	3,881,240	3,921,091
Site Maintenance	1,576	---	1,517
Total Student Transportation	$ 6,914,644	$ 6,815,196	$ 6,809,096
Other Programs	$ 2,344,980	$ 2,070,333	$ 1,463,603
Interest Expense	---	496,000	438,000
Total Expenses	$ 2,344,980	$ 2,566,333	$ 1,901,603
Total	$ 97,410,469	$ 97,455,130	$ 95,110,813

The accompanying notes are an integral part of these financial statements.

1. Summary of significant accounting policies

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed by the Department of Education School Board Financial Handbook.

Financial statement presentation

The financial statements of the Board have been prepared in accordance with the fund basis of accounting.

Basis of accounting

The financial statements have been prepared using the modified accrual basis of accounting. Major revenue and expenditure items are recorded on the accrual basis. Teachers' salaries and those of non-teaching employees are recorded on the cash basis.

School property, equipment, buses and other vehicles

School property, equipment and buses taken over from the Kings County District School Board which were previously transferred from the Kings County Amalgamated School Board and the Town of Hantsport have been recorded at cost to the Amalgamated Board and the Town respectively. Assets taken over from the Annapolis District School Board and Hants West District School Board which were formerly held by municipal units are recorded at their transferred amount.

Under the previous district school board agreements for the Annapolis and Hants West District School Boards, all school buildings and land on hand at December 31, 1981 remain assets of the municipal units but are under the operational control of the Board until such time as the Board no longer requires the asset for school board purposes. At that time control will revert back to the municipal units.

All major capital additions to school buildings on hand at December 31, 1981 and any new school construction commencing after that date are assets of the Board. As a result, the Board now has an interest in real property to which it does not have title. Under the Education Act, should a municipal unit sell a building returned to it by the school board under the circumstances noted above, a portion of the proceeds will be payable to the school board. In the event of the destruction of a building such that insurance proceeds are payable, a portion of these proceeds, related to the improvements, will similarly be payable to the school board.

All capital additions and acquisitions from December 31, 1981 to March 31, 2001 have been recorded at actual cost. Effective April 1, 2002, the Province of Nova Scotia adopted tangible Capital Asset Accounting Guidelines and as a result only expenditures which meet the TCA Thresholds will be capitalized. Depreciation is not being recorded on the school buildings, equipment, buses or other vehicles.

2. Restricted cash and investments

Schedule of restricted cash and investments: Operating fund (pg. 34)	2004	2003
Surplus - Restricted (Cafeterias)	$ 35,047	$ 17,895

3. Retirement Allowance

During the 2000-2001 fiscal year the Province of Nova Scotia assumed full responsibility for accumulated liability associated with employee retirement allowances. School boards are responsible only for the current service cost of this benefit.

4. Trust funds

The Annapolis Valley Regional School Board manages a number of trust funds primarily for the generation of scholarships and awards. The following is a summary of the trusts and their activity during the year. Effective April 1, 1997 the Board incorporated the activities of the former Kings County District School Board Foundation. These are now carried as a separate Trust Account.

Managed Trust Funds:

	March 31, 2003	Additions	Interest	Disburse-ments	March 31, 2004
ACES Trust	$ 727	$ ---	$ 6	$ 733	$ ---
ARRA Library Trust	5,375	---	120	---	5,495
Atkinson Trust	1,532	---	30	350	1,212
BarteauTrust	4,076	---	86	500	3,662
Bateman Trust	3,316	---	74	---	3,390
Beals Trust	223,250	48,036	5,408	5,500	271,194
Beattie Trust	10,465	---	234	---	10,699
Blackburn Trust	10	350	---	350	10
Borden Trust	3,347	---	74	95	3,326
BrannonTrust	885	---	19	50	854
Carter Trust	6,595	---	140	500	6,235
Clarke	6,562	---	147	185	6,524
Coldwell Trust	5,108	---	113	145	5,076
Cummings Trust	13,371	735	292	1,000	13,398
Dakin Trust	---	6,845	101	300	6,646
Dalton Trust	15,477	---	341	390	15,428
DeEll Trust	54,120	---	1,192	1,575	53,737
EvansTrust	863	---	18	100	781
Grassroots	---	14,700	8	---	14,708
Harvey	2,051	50	45	100	2,046
Haskell Trust	24,857	---	542	1,000	24,399
Hibbard Trust	10,561	---	234	250	10,545
Horton Alumni	2,141	---	47	60	2,128
Hudgins Trust	412	---	9	10	411
Inglis Trust	21,201	---	466	604	21,063
Jones - BRES	5,308	---	119	---	5,427
Jones - BRHS	11,726	1,521	289	---	13,536
Johnson Trust	11,186	215	246	500	11,147
KCDSB Trust(Warner)	5,331	---	119	---	5,450
Lightfoot Trust	232	---	3	200	35
LockhartTrust	656	---	8	500	164
Lyons Trust	4,676	---	104	130	4,650
Margeson	619	280	7	900	6
MacFarlane	8,466	---	189	---	8,655
MacNutt Trust	35,838	600	799	1,000	36,237
Mitchell Trust	1,351	---	30	---	1,381
MRHS 40 th Ann. Trust	16,081	37	358	200	16,276
Neily Trust	432	---	9	---	441
Nixon Trust	5,857	250	131	250	5,988
Candice Parker Trust	---	5,098	19	---	5,117
Harry E. Parker Trust	5,033	65	111	200	5,009
Rena B. Parker Trust	37,104	---	818	1,050	36,872
Quartermain Trust	717	300	18	300	735
Rainforth Trust	464	---	11	---	475
Leah Rhoddy Trust	4,940	---	111	---	5,051
Sasa Kovac Trust	---	3,125	8	---	3,133
Sinnott Trust	10,713	---	237	300	10,650
Earle Spicer Trust	22,025	---	488	500	22,013
WorthylakeTrust	17,993	359	395	1,000	17,747
Champlain Refresh	46,013	33,900	1,460	27,032	54,341
Horton Refresh	(43,502)	300,000	2,383	227,819	31,062
Northeast Kings	21,288	105,114	1,710	99,085	29,027
Pine Ridge Refresh	70,389	68,106	2,525	53,649	87,371
Horton Capital Refresh	8,651	16,250	340	4,502	20,739
Avon View Technology Ed	---	15,000	---	---	15,000
Central Kings Technology Ed	---	15,000	---	---	15,000
West Kings Technology Ed	---	5,000	---	---	5,000
Funds held temporarily for redistribution:					
Foundation	135,519	70,211	3,236	60,431	148,535
	$ 861,408	$ 711,147	$ 26,027	$ 493,345	$ 1,105,237

5. Pension Plan

The Board contributes to Registered Retirement Savings Plans and Registered Pension Plans on behalf of the non-teaching employees. The Boards teachers are covered by a pension plan established by the Province pursuant to the Teacher's Pension Act.

6. Commitments

Facility Rental

The Annapolis Valley Regional School Board currently leases 21,408 sq. ft. of office and storage space from the Western Kings Memorial Health Centre to house the regional school board's administrative operations. The ten year lease agreement will expire in July 2007. Rental charges for 2004/2005 will be approximately $184,000 and will increase in subsequent years by the prior year's Consumer Price Index increase for Nova Scotia.

AUDITOR'S REPORT

To the Governors and Members of the
Art Gallery of Nova Scotia

We have audited the financial statements of the Art Gallery of Nova Scotia consisting of the following:

Art Gallery of Nova Scotia	- Combined Balance Sheet as at March 31, 2004
Gallery Fund	- Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2004
Endowment Fund	- Balance Sheet as at March 31, 2004 - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2004
Acquisition Fund	- Balance Sheet as at March 31, 2004 - Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2004

These financial statements are the responsibility of the Gallery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Art Gallery of Nova Scotia derives revenues from donation receipts, special events, corporate campaigns, admissions and other income, the completeness of which is not susceptible of conclusive audit verification. Accordingly, we were unable to determine whether any adjustments for unrecorded revenues might be necessary to revenue, excess (deficiency) of revenue over expenditures for the year, or surplus (deficit).

In our opinion, except for the effect of any adjustments which might have been required had we been able to satisfy ourselves with respect to the revenue described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Art Gallery of Nova Scotia as at March 31, 2004 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

ERNST & YOUNG LLP
Chartered Accountants

Halifax, Canada
May 14, 2004

ART GALLERY OF NOVA SCOTIA

Combined Balance Sheet
As at March 31, 2004

	2004	2003
ASSETS		
Current		
Cash and cash equivalents	$ 222,724	$ 240,111
Accounts receivable	170,884	119,069
Inventory	149,185	143,951
Prepaids	2,844	550
	545,637	503,681
Investments (note 5)	2,032,400	2,358,103
	$ 2,578,037	$ 2,861,784

	2004	2003
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	$ 434,429	$ 536,388
Deferred revenue	101,353	103,714
	535,782	640,102
Surplus		
Surplus (deficit) - Gallery Fund	95,925	(110,526)
Surplus - Endowment Fund	2,037,146	2,349,348
Deficit - Acquisition Fund	(90,816)	(17,140)
	2,042,255	2,221,682
	$ 2,578,037	$ 2,861,784

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Gallery Fund
Statement of Revenue, Expenditures and Surplus
Year ended March 31, 2004

	2004	2003
Revenue		
Province of Nova Scotia (note 3)	$ 1,283,800	$ 1,240,000
Sponsorships	232,507	205,893
Grants	227,199	201,513
Admission	148,815	78,570
Other income	152,291	171,215
Membership	65,921	53,296
Donations - AGNS appeal	70,116	136,476
Public Education Programs	63,466	50,213
Special events	11,533	48,814
Fundraising	6,869	263
Corporate Campaign	2,787	8,948
Interest	1,492	4,584
	2,266,796	2,199,785
Expenditures (Schedule 1)		
Salaries and benefits	914,325	771,832
Building operations	767,478	730,185
Exhibitions and programming	640,399	583,585
Administration	170,178	212,830
Development/public relations	177,649	87,120
Printing and publication	10,903	32,760
Building capital cost	9,650	418,884
Technology	8,878	12,124
Miscellaneous	6,138	13,440
	2,705,598	2,862,760
	$ (438,802)	$ (662,975)
Excess of expenditures over gross profit Gallery Shop (Schedule 2)	$ (13,639)	$ 7,136
Excess of gross profit over expenditures Product Development (Schedule 3)	36,517	(11,748)
Excess of expenditures over revenue for the year	(415,924)	(667,587)
(Deficit) surplus, beginning of year	(110,526)	321,380
Contribution from Endowment Fund	465,000	215,000
Contribution to Endowment Fund	---	(531,876)
Contribution to Acquisition Fund	---	(5,000)
Forgiveness (note 6)	157,375	557,557
Surplus (deficit), end of year	$ 95,925	$ (110,526)

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Endowment Fund
Balance Sheet
As at March 31, 2004

	2004	2003
ASSETS (note 4)		
Current		
Cash and cash equivalents	$ 18,768	$ 5,852
Accounts receivable	210	83
Due from Phase II	2,738	2,738
	21,716	8,673
Investments (note 5)	2,032,400	2,358,103
Loan to Gallery Fund	150,000	150,000
	$ 2,204,116	$ 2,516,776
LIABILITIES AND SURPLUS		
Current		
Accounts payable	$ 1,000	$ 1,500
Due to Gallery Fund	154,862	154,820
Due to Acquisition Fund	11,108	11,108
	166,970	167,428
Surplus		
Restricted	380,000	380,000
Unrestricted	1,657,146	1,969,348
	2,037,146	2,349,348
	$ 2,204,116	$ 2,516,776

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Endowment Fund
Statement of Revenue, Expenditures and Surplus
Year ended March 31, 2004

	2004	2003
Revenue (Note 4)		
Investment income	$ 182,892	$ 106,510
Life memberships	3,640	10,500
Restricted donations	338	---
Gallery endowments	20,000	122,538
Higgins	300	725
	207,170	240,273
Expenditures (note 4)		
Trustee fees	28,499	23,419
Administration	2,000	1,600
Promotion and public relations	4,214	7,044
Donor restricted projects	4,619	8,642
Miscellaneous	40	255
	39,372	40,960
Excess of revenue over expenditures for the year	167,798	199,313
Surplus, beginning of year	2,349,348	1,848,159
Contribution to Gallery Fund	(465,000)	(215,000)
Contribution to Acquisition Fund	(15,000)	(15,000)
Contribution from Phase II	---	531,876
Surplus, end of year	2,037,146	2,349,348
Less: restricted surplus	(380,000)	(380,000)
Unrestricted surplus, end of year	$ 1,657,146	$ 1,969,348

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Acquisition Fund
Balance Sheet
as at March 31, 2004

	2004	2003
ASSETS		
Current		
Cash	$ 17,980	$ 15,033
Accounts receivable	---	719
Due from Endowment Fund	11,108	11,108
	$ 29,088	$ 26,860
LIABILITIES AND DEFICIT		
Current		
Accounts payable	$ 1,994	$ 1,500
Due to Gallery Fund	117,910	42,500
	119,904	44,000
Deficit	(90,816)	(17,140)
	$ 29,088	$ 26,860

Statement of Revenue, Expenditures and Deficit
Year ended March 31, 2004

	2004	2003
Revenue		
Donations:		
Art Sales and Rental Society	$ 65,000	$ 30,000
Other	80,267	47,282
Friends of the Gallery	7,000	9,000
Grants (note 3)	37,525	2,200
AGNS Appeal	1,000	5,100
	190,792	93,582
Expenditures		
Acquisitions	219,340	103,205
Appraisal and professional fees	51,976	14,174
Shipping	7,578	314
Permanent collection exhibit	397	---
Bank charges	127	187
Miscellaneous	32	42
Administration	18	180
Insurance	---	10,000
Promotion	---	600
	279,468	128,702
Excess of expenditures over revenue for the year	(88,676)	(35,120)
Deficit, beginning of year	(17,140)	(2,020)
Contribution from Endowment Fund	15,000	15,000
Contribution from Gallery Shop	---	5,000
Deficit, end of year	$ (90,816)	$ (17,140)

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Notes to Financial Statements
as at March 31, 2004

1. Purpose of the Organization

The Art Gallery of Nova Scotia's ("AGNS") mandate is to preserve the province's unique visual and cultural history through the acquisition, conservation and display of art, and the provision of art education to learners of all ages.

The Art Gallery of Nova Scotia is registered as a charitable organization under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the AGNS must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The Art Gallery of Nova Scotia received program and education funding during the year from the following sources: Exxon Mobil, McConnell Foundation, Province of Nova Scotia, Center for Entrepreneurship Education and Development and Sobeys Art Foundation.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the AGNS, the accounts of the AGNS are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into separate funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Governors or various funding authorities.

For financial reporting purposes, the accounts have been classified into the following three groupings:

The AGNS Gallery Fund supports the day to day operations of the Provincial Gallery including all programming, exhibitions, development, public relations, conservation, and collections management.

The purpose of the AGNS Acquisition Fund is to purchase works of art for the Provincial Gallery and cover costs associated with acquiring these works.

The AGNS Endowment Fund exists to support and manage all of the investments for the long term survival of the Provincial Gallery. The investments are managed by a professional fund manager and the Investment Committee is responsible for monitoring the fund on behalf of the Board of Governors.

During the year, the following four funds were consolidated into the AGNS Gallery Fund: the AGNS Phase II Fund, the AGNS Western Branch Fund, the AGNS Gallery Shop and AGNS Product Development.

Cash and equivalents
Cash and equivalents are cash and short term liquid investments with an original maturity of 90 days or less.

Inventory
Inventory is valued at the lower of cost, determined on an average cost basis, and net realizable value.

Investments
Investments are recorded at the lower of cost and market. Income is recognized on the settlement date.

Financial instruments
The differences between the carrying values and the fair market values of the primary financial instruments are not material due to the short-term maturities and, or credit terms of those instruments.

Measurement uncertainty
The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from those estimates.

Revenue recognition
Revenue from donations, life memberships, and investment income is recognized when the cash is received. All other revenue is recognized on the accrual basis of accounting.

Acquisitions
Acquisitions of works of art, including donated works, become the property of the Province of Nova Scotia. Accordingly, acquisitions paid for by the Art Gallery of Nova Scotia are expensed in the year acquired. Acquisitions expensed in the current year amounted to $219,340 (2003- $103,205).

Other income
Other income includes revenue from rent, rental spaces and advertising.

Contributed goods and services
Volunteers contributed approximately 25,000 hours this year to assist the Art Gallery of Nova Scotia in carrying out its mandate. Also, the Province of Nova Scotia provides the AGNS with use of its premises at no cost. Because of the difficulty in determining the fair value, contributed goods and services are not recognized in the financial statements.

Statement of cash flows
A seperate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.

3. Government Assistance

During the year the Art Gallery of Nova Scotia recognized revenue from provincial, federal and other grants which are recorded in the statement of revenue and expenditures as revenue from the Province, sponsorships or grants as applicable:

	2004	2003
Gallery Fund:		
Nova Scotia Department of Tourism, Culture and Heritage	$ 1,283,800	$ 1,240,000
Canada Council for the Arts	120,000	120,000
Federal Department of Canadian Heritage	61,248	4,865
Halifax Regional Municipality	25,000	130,000
Young Canada Works	7,000	17,100
Canadian Museum Association	2,233	---
Town of Yarmouth	---	25,000
Municipal District of Yarmouth	---	10,000
	1,499,281	1,546,965
Acquisition Fund:		
Canada Council for the Arts	28,300	---
Federal Department of Canadian Heritage	9,225	2,200
	37,525	2,200
	$ 1,536,806	$ 1,549,165

4. Endowment Fund

Endowment Fund donations and bequests are allocated to the Endowment Fund together with investment income thereon. The income of the fund, or a portion thereof as determined by the Board of Governors, after a balance of $500,000 has been accumulated shall be available for the purpose of:

a) the acquisition of artworks for the permanent collection;
b) the expansion of exhibition and art education programs; and
c) other special projects.

The funds which will be placed in the Endowment Fund will be:
a) donations designated as such by the donor;
b) special types of donations which are stipulated to go to the Fund, such as Life Member's fees; and
c) any funds specifically designated by the Board of Governors.

Expenses relating to the activities of the Endowment Fund will be charged to the Endowment Fund.

5. Investments

The investments included in the Art Gallery of Nova Scotia's financial statements are comprised of the following:

	2004		2003	
	Cost	Market Value	Cost	Market Value
Endowment Fund				
Equity	$ 2,032,400	$ 2,481,207	$ 2,358,103	$ 2,457,229
	$ 2,032,400	$ 2,481,207	$ 2,358,103	$ 2,457,229

6. Forgiveness

During the year, the AGNS received $157,375 in debt forgiveness from the department of Transportation and Public Works relating to the building, repairs and maintenance work done on the Phase II expansion. The forgiveness directly reduced the deficit created as a result of the construction as the related expenditures were recorded in prior years.

In the prior year, the AGNS received $713,000 in debt forgiveness from the department of Tourism and Culture relating to the construction work done on the Phase II expansion. The forgiveness directy reduced the deficit created as a result of the construction as the related expenditures were recorded in prior years. THe amount included $61,376 of amounts previously in dispute and recorded as capital expenses in the year. In addition, in the prior year the AGNS completed an agreement that released Phase II from an additional $557,557 in debt relating to the expansion. As a condition of this agreement AGNS paid the remaining liability of $749,644 to the department of Transportation and Public Works in April, 2002.

7. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current year.

ART GALLERY OF NOVA SCOTIA

Schedule 1

Gallery Fund
Schedule of Expenditures
Year ended March 31, 2004

	2004	2003
Salaries and Benefits		
Salaries and employee benefits	$ 914,325	$ 771,832
	914,325	771,832
Building Operations		
Utilities	254,193	266,873
Security	199,373	182,654
Climate control	120,653	100,358
Building maintenance and cleaning	108,258	89,799
Insurance	63,035	53,905
Building repairs and renovations	13,326	31,016
Elevator maintenance	8,640	5,580
	767,478	730,185
Exhibitions and Programming		
Programs	631,334	559,008
Vehicle	5,246	7,739
Conservation lab	2,467	5,677
Workshop supplies	1,200	7,816
Collections management	152	3,345
	640,399	583,585
Administration		
Stationery and postage	42,445	43,830
Travel	36,913	34,394
Office	33,053	13,758
Telephone	22,010	27,942
Equipment rental	19,617	16,455
Professional fees	8,890	62,284
Memberships	4,964	7,851
Equipment maintenance	1,705	4,665
Delivery administration	581	1,651
	170,178	212,830
Development/Public Relations		
Development/public relations	177,649	87,120
	177,649	87,120
Printing and Publication		
Printing and publication	10,053	32,358
Photography	850	402
	10,903	32,760
Building Capital Cost		
Building capital cost	9,650	418,884
	9,650	418,884
Technology		
Technology	8,189	10,341
Training and development	689	1,783
	8,878	12,124
Miscellaneous		
Bank charges	4,975	4,722
Miscellaneous	1,163	8,718
	6,138	13,440
Total expenditures	$ 2,705,598	$ 2,862,760

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Schedule 2

Gallery Shop
Schedule of Revenue and Expenditures
Year ended March 31, 2004

	2004	2003
Revenue		
Art and craft sales	$ 223,814	$ 223,909
Art and craft sales on consignment	58,125	79,250
Books, notes and posters	39,071	35,432
	321,010	338,591
Cost of sales	187,102	193,256
Gross profit	133,908	145,335
Expenditures		
Salaries and employee benefits	107,317	95,983
Office and administration	40,230	42,216
	147,547	138,199
Excess of expenditures over gross profit for the year	$ (13,639)	$ 7,136

Schedule 3

Product Development
Schedule of Revenue and Expenditures
Year ended March 31, 2004

	2004	2003
Revenue	$ 132,672	$ 134,630
Cost of sales	61,648	84,781
Gross profit	71,024	49,849
Expenditures		
Salaries and employee benefits	17,252	30,294
Office and administration	4,135	11,100
Royalties	5,417	10,843
Promotional	7,703	9,360
	34,507	61,597
Excess of gross profit over expenditures for the year	$ 36,517	$ (11,748)

See accompanying notes

AUDITORS' REPORT

To the Shareholders of
BioScience Enterprise Centre Incorporated

We have audited the balance sheet of BioScience Enterprise Centre Incorporated as at March 31, 2004 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Dartmouth, Nova Scotia
May 19, 2004

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Statement of Earnings and Retained Earnings
Year Ended March 31, 2004

	2004	2003
Revenue		
Rent and amortization of deferred leasehold contribution	$ 565,703	$ 437,759
Amortization of government assistance	252,422	236,487
Business services	79,263	167,799
Other	6,893	9,348
	904,281	851,393
Expenses		
Advertising and promotion	11,834	3,146
Bad debt (recovery) expense	(3,022)	704
Communications	40,571	36,093
Depreciation	252,422	236,487
Information resources	693	452
Interest and bank charges	502	331
Materials	16,536	14,361
Miscellaneous	8,105	16,058
Outside services	22,073	77,716
Professional development	7,317	9,336
Rent	36,274	20,542
Repairs and maintenance	42,387	36,378
Salaries and benefits	334,063	254,130
Travel	13,284	9,546
Utilities	115,212	114,150
	898,251	829,430
Net earnings	$ 6,030	$ 21,963
Retained earnings, beginning of the year	$ 28,528	$ 6,565
Net earnings	6,030	21,963
Retained earnings, end of year	$ 34,558	$ 28,528

See accompanying notes to the financial statements.

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Balance Sheet
March 31, 2004

	2004	2003
ASSETS		
Cash	$ 92,539	$ 11,871
Government assistance receivable	5,341	62,823
Other receivables	66,832	114,139
Capital assets (Note 3)	1,110,652	1,363,074
	$ 1,275,364	$ 1,551,907
LIABILITIES		
Payables and accruals	$ 130,153	$ 106,446
Deferred leasehold contribution	—	53,858
Deferred government contributions	1,110,652	1,363,074
	1,240,805	1,523,378
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)	1	1
Retained earnings	34,558	28,528
	34,559	28,529
	$ 1,275,364	$ 1,551,907

Commitments (Note 7)

See accompanying notes to the financial statements.

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Statement of Cash Flows
Year Ended March 31, 2004

	2004	2003
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	$ 6,030	$ 21,963
Depreciation	252,422	236,487
Amortization of government contributions	(252,422)	(236,487)
Amortization of deferred leasehold contribution	(53,858)	(68,049)
	(47,828)	(46,086)
Changes in non-cash operating working capital		
Receivables	92,234	154,197
Payables and accruals	36,262	(175,050)
	80,668	(66,939)
Financing		
Government assistance to finance capital assets	---	192,375
Investing		
Purchase of capital assets	---	(192,375)
Long term receivable, net	---	68,049
	---	(124,326)
Net increase in cash and cash equivalents	80,668	1,110
Cash and cash equivalents		
Beginning of year	11,871	10,761
End of year	$ 92,539	$ 11,871

See accompanying notes to the financial statements.

Notes to theFinancial Statements
March 31, 2004

1. Nature of operations

The Company development and leases an incubation facility to be a catalyst for the bio-life science industry sector. The Company is exempt from income taxes under Section 149 of the Income Tax Axt.

2. Summary of significant accounting policies

(a) Capital assets

Capital assets are recorded at cost and depreciated as follows:

Computer equipment	30%, declining balance;
Equipment and furniture	20%, declining balance;
Building and leasehold improvements	Term of lease, 5.5 yrs remaining

(b) Government assistance

The portion of government assistance used for the acquisition of capital assets is recorded as deferred government assistance and recognized as income on the same basis as the related assets are amortized. The operating portion of government assistance is recognized as income in the year received.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits. Bank borrowings are considered to be financing activities.

(d) Use of estimates

In preparing Bioscience Enterprise Centre Incorporated's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(e) Financial instruments

Bioscience Enterprise Centre Incorporated's financial instruments consist of cash and cash equivalents, receivables, and payables. It is management's opinion that Bioscience Enterprise Centre Incorporated is not exposed to significant interest, currency or credit risks arising from these financial statements. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

3. Capital Assets

	2004			2003
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Building improvements	$ 611,152	$ 316,438	$ 294,714	$ 360,206
Equipment	65,877	38,805	27,072	33,840
Computer equipment	38,772	29,842	8,930	12,757
Furniture	64,227	39,058	25,169	31,461
Leaseholds	1,427,832	673,065	754,767	924,810
	$ 2,207,860	$ 1,097,208	$ 1,110,652	$ 1,363,074

4. Related party transactions

Entity	Relationship	Sales To	Purchases From	Year End Payable
InNOVAcorp (1)	Sister	$ 320	$ 360,603	$ 77,762 (2)
Waterfront Development Corporation Limited (1)	Sister	$ ---	$ 39,874	$ ---

(1) These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(2) The balances due to are non-interest bearing and under normal credit terms and have arisen from cash advances to fund company operations.

5. Government assistance

The Company received funding from the Economic Diversification Agreement for acquisition of capital assets in the amount of NIL (2003 - $192,375).

6. Capital stock

	2004	2003
Authorized		
100,000 common shares with no par value		
Issued and outstanding:		
1 common shares	$ 1	$ 1

7. Commitments

The Company is committed to lease land and buildings from the Waterfront Development Corporation Limited. The lease requires annual minimum rent of $43,088 from October 2003 to October 2008.

AUDITORS' REPORT

To the Chairperson and Members of the Board of
Cape Breton District Health Authority

We have audited the statement of financial position of Cape Breton District Health Authority as at March 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2004 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Sydney, Canada
June 23, 2004

CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Financial Position
March 31, 2004, with comparative figures for 2003

ASSETS

	2004	2003
Current Assets:		
Cash	$ 30,984	$ 6,786,029
Internally restricted cash	160,945	160,945
Accounts receivable (note 2)	26,378,610	19,179,397
Inventories (note 4)	2,701,296	2,827,229
Prepaid expenses	166,306	93,671
	29,438,141	29,047,271
Capital assets (note 5):		
Cost	264,176,122	253,444,997
Less accumulated amortization	110,494,354	99,979,440
	153,681,768	153,465,557
Other assets (note 7):		
Due from Department of Health for retirement allowance	11,564,919	10,103,232
	$ 194,684,828	$ 192,616,060

LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS

	2004	2003
Current liabilities:		
Cheques issued in excess of funds on deposit	$ 2,202,874	$ ---
Accounts payables and accrued liabilities (note 6)	27,809,866	26,714,228
	30,012,740	26,714,228
Deferred contributions for capital assets (note 8)	152,605,572	155,213,262
Other liabilities:		
Retirement allowance payable (note 7)	11,564,919	10,103,232
Net assets :		
Unrestricted (deficiency)	(735,544)	(320,583)
Restricted (note 1 (c))	160,945	160,945
Investment in capital assets (note 9)	1,076,196	744,976
	501,597	585,338
	$ 194,684,828	$ 192,616,060

Contingencies (note 11)
Commitments (note 12)

See accompanying notes to financial statements.

CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Operations
Year ended March 31, 2004, with comparative figures for 2003

	Shareable	Non-Shareable	Total 2004	Total 2003
Income:				
Net patient income:				
Provincial Plan			$ 157,203,300	$ 150,414,011
Other			13,586,003	11,599,050
Medical service insurance			5,838,858	4,620,761
Net differential			1,835,054	1,402,121
Dietary recoveries			1,398,660	1,302,802
Miscellaneous			1,032,261	717,786
Investment income			47,583	36,867
Referred in work			89,787	55,365
Equipment grant			---	35,312
			181,031,506	170,184,075
Expenses:				
Nursing inpatient services			64,344,581	61,210,889
Support services			46,326,598	44,150,386
Diagnostic and therapeutic services			31,589,049	30,340,662
Ambulatory care services			30,620,099	28,062,480
Addiction services			3,641,700	3,451,504
Public health			3,142,804	2,952,712
Education			524,711	520,043
Retirement allowance			842,285	895,399
			181,031,827	171,584,075
Net operating position before deficit funding			(321)	(1,400,000)
Deficit funding received from Department of Health			---	1,400,000
Excess of expenditures over revenue before below noted items			(321)	---
Amortization of deferred contributions related to capital assets (note 9(b))			10,431,494	9,558,638
Amortization of capital assets (note 9(b))			(10,514,914)	(9,564,518)
Excess of expenditure over revenue			$ (83,741)	$ (5,880)

See accompanying notes to financial statements

CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Changes in Net Assets
Year ended March 31, 2004, with comparative figures for 2003

	Unrestricted	Restricted	Investment in Capital Assets	Total 2004	Total 2003
Balance, beginning of year	$ (320,583)	$ 160,945	$ 744,976	$ 585,338	$ 591,218
Excess of expenditure over revenue	(321)	---	(83,420)	(83,741)	(5,880)
Net change in investment in capital assets (note 9)	(414,640)	---	414,640	---	---
Balance, end of year	$ (735,544)	$ 160,945	$ 1,076,196	$ 501,597	$ 585,338

Statement of Cash Flows
Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
Cash provided by (used in):		
Operating activities:		
Excess of expenditure over revenue	$ (83,741)	$ (5,880)
Items not involving cash:		
Amortization of capital assets	10,514,914	9,564,518
Amortization of deferred contributions related to capital assets	(10,431,494)	(9,558,638)
Change in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(7,199,213)	3,181,100
(Increase) decrease in inventories	125,933	(454,991)
(Increase) decrease in prepaid expenses	(72,635)	104,011
Increase (decrease) in accounts payable and accrued liabilities	1,095,638	(2,258,115)
	(6,050,598)	572,005
Financing and investing activities:		
Purchases of capital assets	(10,731,125)	(3,544,001)
Contribution for capital assets	10,316,485	6,886,738
2003 contribution for capital assets spent in 2004	(2,492,681)	--
	(2,907,321)	3,342,737
Increase (decrease) in cash position	(8,957,919)	3,914,742
Cash, beginning of year	6,946,974	3,032,232
Cash position, end of year	$ (2,010,945)	$ 6,946,974
Cash is represented by the following:		
Cash internally restricted	$ 160,945	$ 160,945
Cash	30,984	6,786,029
Cheques issued in excess of funds on deposit	(2,202,874)	--
	$ (2,010,945)	$ 6,946,974

See accompanying notes to the financial statements.

CAPE BRETON DISTRICT HEALTH AUTHORITY

Notes to Financial Statements
Year ended March 31, 2004

On June 8, 2000, Bill #34 - The Health Authorities Act, received Royal Assent. This legislation abolished Regional Health Boards and replaced them with Health Authorities. The effects on the former Cape Breton Healthcare Complex are as follows: Cape Breton Regional Hospital, Glace Bay Healthcare Corporation, New Waterford Consolidated Hospital, Northside Harbour View Hospital, Inverness Consolidated Memorial Hospital, Sacred Heart Healthcare Centre, Victoria County Memorial Hospital and Buchanan Memorial Healthcare Centre form District Health Authority #8. As a result of this legislation, the Cape Breton Healthcare Complex ceased operations effective December 31, 2000 and was replaced by District Health Authority #8 on January 1, 2001.

District Health Authority #8 changed its name to operate as Cape Breton District Health Authority.

The Health Authority's principal activity is to operate and manage designated hospitals and provide other health related activities to the residents of Cape Breton.

1. Significant accounting policies:

These financial statements have been prepared in accordance with generally accepted accounting principles. Significant accounting policies are summarized as follows:

(a) Revenue recognition:

The Health Authority follows the deferral method of accounting for contributions which include donations and government grants.

The Health Authority is funded primarily by the Province of Nova Scotia in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(b) Inventories:

Inventories are stated at cost.

(c) Restricted:

Funds donated from outside agencies or individuals which have been designated for a specific purpose have been restricted.

(d) **Capital assets:**

Capital assets are stated at cost.

Capital assets are amortized on the straight-line basis using the following annual rates:

Asset	Rates
Land improvements	5%
Buildings and service equipment	2% - 5%
Major equipment	5% - 20%
Equipment under capital lease	10% - 20%

2. Accounts receivable:

	2004	2003
Patients, medical service insurance, Level II Care, veterans	$ 3,464,622	$ 2,349,599
Harmonized sales tax	1,741,207	1,057,173
Hospital Foundations (note 10)	872,700	887,535
Sundry	1,571,857	1,670,280
Guysborough Antigonish Strait Health Authority	286,795	201,151
Department of Health (note 3):		
Nova Scotia Hospital Information System	6,199,487	3,220,575
Vacation accrual	6,149,571	6,149,571
Capital funding	4,690,163	1,600,000
Other	572,440	311,128
Contract settlement	372,867	(578,259)
Estimated year end adjustment	356,301	2,295,399
Addiction Services and Public Health	100,600	15,245
	$ 26,378,610	$ 19,179,397

3. Accounts with the Department of Health:

The Health Authority has the following accounts with the Department of Health:

	2004	2003
Accounts receivable (payable):		
Retirement allowance (note 7)	$ 11,564,919	10,103,232
Nova Scotia Hospital Information System	6,199,487	3,220,575
Vacation accrual	6,149,571	6,149,571
Capital funding	4,690,163	1,600,000
Estimated year end adjustment	---	1,400,000
Other	572,440	311,128
Contract settlement	372,867	(578,259)
2002/2003 retirement payouts	356,301	895,399
Addiction Services and Public Health	100,600	15,245
Advances by Provincial Plan - current	(6,600,721)	(5,706,731)
New hospital construction	(671,406)	(938,749)
	$ 22,734,221	$ 16,471,411

Collectability of the estimated receivable is dependent on obtaining approval for certain expenditures.

The adjustment, if any, on the ultimate settlement of the above amounts will be accounted for as charge to or credit against income in the period which settlement occurs.

4. **Inventories:**

		2004		2003
Medical and surgical	$	456,050	$	551,960
Drugs		1,162,095		1,110,295
Food		85,051		67,146
General		998,100		1,097,828
	$	2,701,296	$	2,827,229

5. **Capital assets:**

		2004		2003
Land	$	570,230	$	570,230
Land improvements		2,069,830		2,091,610
Buildings and service equipment		135,268,927		136,233,579
Equipment		15,772,781		14,570,138
	$	153,681,768	$	153,465,557

6. **Accounts payable and accrued liabilities:**

		2004		2003
Accounts payable	$	11,446,589	$	8,524,446
Due to Department of Health:				
Advances by Provincial Plan - current		6,600,721		5,706,731
Accrued salaries:				
Salaries		4,996,087		4,435,940
Vacation pay accrual		2,118,867		3,291,308
Other accruals		1,765,728		1,084,833
Department of Health new hospital construction		671,406		938,749
Employee deductions payable		210,468		2,732,221
	$	27,809,866	$	26,714,228

7. **Retirement allowance:**

In the prior year, the Department of Health requested that Nova Scotia District Health Authorities recognize in their financial statements both the liability for retiring allowances and the related commitment by the Department of Health to fund same.

To promote consistency amongst Authorities, the Department engaged consulting actuaries to quantify for each Health Authority the retiring allowance liability and expense for years up to March 31, 2004 along with a projection of the expense and liability for the fiscal year ended March 31, 2004.

In compliance with the Department's request, the District Health Authority has recorded the following in respect of retiring allowances accrued up to March 31, 2004:

		2004		2003
Opening balance	$	10,103,232	$	9,707,969
Retiring allowance expense computed with reference to the actuarial projection of expense for the period		2,081,587		1,221,263
Retirement allowance payouts (estimated)		(619,900)		(826,000)
Funding receivable from the Department for the actual projected liability	$	11,564,919	$	10,103,232

8. Deferred contributions related to capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the period are as follows:

	2004	2003
Balance, beginning of year	$ 155,213,262	$ 157,885,162
Additional contributions received in 2004	10,316,485	6,886,738
2003 contribution for capital assets spent in 2004	(2,492,681)	---
Less amounts amortized to revenue	(10,431,494)	(9,558,638)
	$ 152,605,572	$ 155,213,262

The balance of unamortized capital contributions related to capital assets consists of the following:

	2004	2003
Unamortized capital contributions used to purchase assets	$ 152,605,572	$ 152,720,581
Unspent contributions	---	2,492,681
	$ 152,605,572	$ 155,213,262

9. Investment in capital assets:

a) Investment in capital assets is calculated as follows:

	2004	2003
Capital assets	$ 153,681,768	$ 153,465,557
Amounts financed by:		
Deferred contributions - spent	152,605,572	152,720,581
	$ 1,076,196	$ 744,976

b) Change in net assets invested in capital assets is calculated as follows:

	2004	2003
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	$ 10,431,494	$ 9,558,638
Amortization of capital assets	10,514,914	9,564,518
	$ (83,420)	$ (5,880)
Net change in investment in capital assets:		
Capital assets acquired	$ 10,731,125	$ 3,544,001
Amounts funded by deferred contributions	10,316,485	4,394,057
	$ 414,640	$ (850,056)

10. Related party transactions:

The Hospital is related to the Cape Breton Regional Hospital Foundation, Northside Hospital Charitable Foundation, New Waterford Consolidated Charitable Foundation, Glace Bay Healthcare Corporation Charitable Foundation, Buchanan Memorial Hospital Foundation, Sacred Heart Hospital Foundation, Victoria County Memorial Hospital Charitable Foundation and Inverness Consolidated Memorial Hospital Foundation. The Foundations' primary purpose is to raise funds to assist in the construction of and the supply of certain equipment for the Hospital.

As at March 31, 2004 the following amounts were due from the Foundations with comparative figures:

	2004	2003
Cape Breton Regional Hospital Foundation	$ 65,000	$ 187,895
Northside Hospital Charitable Foundation	97,322	38,648
Inverness Consolidated Memorial Hospital Foundation	24,284	196,961
Buchanan Memorial Hospital Foundation	671,406	464,031
Sacred Heart Hospital Foundation	14,688	---
	$ 872,700	$ 887,535

11. Contingencies:

Lawsuits:

The Health Authority has been named a defendant in several lawsuits.

The outcome of the matters is not determinable and settlement, if any, will be accounted for as a charge to operations in the period of settlement.

Management is of the opinion that the Province of Nova Scotia, Department of Health and Community Services, will provide the necessary funding to meet obligations, if any, which may result from the legal actions.

12. Commitments:

The authority leases premises under operating leases which expire from 2004 to 2006 with minimum annual rent payable as follows:

Pembroke Properties Limited	$	97,000
Nova Scotia Power Incorporated	$	331,000

In addition, the Authority leases various other smaller properties and storage facilities with annual rent payable of approximately $219,000.

13. Fair value of financial instruments:

The carrying value of all financial assets and liabilities approximate their fiar market values.

14. Comparative figures:

Certain March 31, 2003 figures have been reclassified to conform to the financial statement presentation adopted for the current year.

AUDITORS' REPORT

To the Chairperson and Members
Cape Breton -Victoria Regional School Board
George Street
Sydney, Nova Scotia

We have audited the balance sheets of the Cape Breton-Victoria Regional School Board as at March 31, 2004, and the statement of operations for the year then ended. These financial statements are the responsibility of the Cape Breton-Victoria Regional School Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Cape Breton-Victoria Regional School Board as at March 31, 2004, and the results of its operations for the year then ended in accordance with the basis of acounting described in Note 1 to the financial statements.

These financial statements have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles and are solely for the information and use of the Cape Breton-Victoria Regional School Board, the Legislative Assembly of Nova Scotia and its Members, for their purposes under Section 83 of the Education Act..

ROACH PERRY ANDERSON
Chartered Accountants

Sydney, Nova Scotia
June 18, 2004

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Consolidated Balance Sheet
March 31, 2004

ASSETS

	2004	2003
Financial Assets		
Cash	$ 170,668	$ —
Accounts receivable		
Province of Nova Scotia (Note 2)	780,860	4,133,333
First Nation	278,034	269,523
Government of Canada (Note 3)	672,999	521,407
Other	1,025,254	633,065
Prepaid expenses	66,096	656,294
Cash restricted for teachers service award	3,874	3,874
	2,997,785	6,217,496
Other Assets		
Deferred Service Awards (Note 4)	4,329,099	4,231,268
Restricted Assets		
Cash and investments - Scholarships	372,590	376,173
Fixed Assets (Note 5)		
School buildings, land	56,096,213	56,096,215
Interest in properties	16,741,646	16,741,646
Equipment and furnishings	13,063,171	13,063,171
School buses and maintenance vehicles	8,177,204	9,017,668
Assets under capital leases	137,151	137,151
	94,215,385	95,055,851
	$ 101,914,859	$ 105,880,788

LIABILITIES

	2004	2003
Liabilities		
Bank Indebtedness	$ —	$ 553,472
Payables and Accruals - Trade	1,146,756	4,043,425
Deferred Revenues	1,600,586	943,852
	2,747,342	5,540,749
Other Liabilities		
Teachers' Service Awards, In Trust	3,874	3,874
Teachers' Training Fund	50,000	50,000
Service Awards	4,329,099	4,231,268
	4,382,973	4,285,142
	7,130,315	9,825,891

EQUITY

	2004	2003
Reserves		
Scholarship trust fund reserve	372,590	376,173
Surplus	196,569	622,873
Investment in capital assets	94,215,385	95,055,851
	94,411,954	95,678,724
	$ 101,914,859	$ 105,880,788

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Operating Fund Balance Sheet
March 31, 2004

ASSETS

	2004	2003
Financial Assets		
Cash	$ 170,668	$ ---
Accounts Receivable		
Province of Nova Scotia (Note 3)	780,860	4,133,333
First Nation	278,034	269,523
Government of Canada	672,999	521,407
Other	1,025,254	633,065
Prepaid expenses	66,096	656,294
Cash restricted for teachers service awards	3,874	3,874
	2,997,785	6,217,496
Other assets		
Deferred Service Awards (Note 4)	4,329,099	4,231,268
	$ 7,326,884	$ 10,448,764

LIABILITIES

	2004	2003
Liabilities		
Bank Indebtedness	$ ---	$ 553,472
Payables and Accruals - Trade	1,146,756	4,043,425
Deferred Revenues	1,600,586	943,852
	2,747,342	5,540,749
Other Liabilities		
Teachers' Service Awards, In Trust	3,874	3,874
Teacher Training Fund	50,000	50,000
Service Awards	4,329,099	4,231,268
	4,382,973	4,285,142
	7,130,315	9,825,891

EQUITY

	2004	2003
Surplus	196,569	622,873
	$ 7,326,884	$ 10,448,764

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Statement of Operations
Year ended March 31, 2004

	2004	2004	2003
	Budget	Actual	Actual
Revenue (Schedule A)			
Province of Nova Scotia	$ 103,900,406	$ 104,100,430	$ 101,488,456
Government of Canada	155,000	161,417	153,647
First Nation Tuition Revenue	828,820	958,220	841,903
Municipal Contributions	11,464,100	11,464,092	11,222,075
Other Revenues	3,263,858	4,234,038	4,067,514
Surplus - Prior Year	622,873	622,873	309,458
	120,235,057	121,541,070	118,083,053
Expenditures (Schedule B)			
Board Governance	272,768	252,749	263,934
Regional Management	2,513,737	2,534,355	2,423,117
School Management & Support	12,473,641	12,107,797	12,005,563
Instructional & School Services	68,916,300	69,441,803	68,768,078
Student Support	14,355,973	14,484,995	11,815,798
Adult & Community Education	648,361	625,710	562,714
Property Services	13,145,742	13,404,474	14,410,793
Student Transportation	5,421,927	5,574,545	5,138,390
Other Programs	2,486,608	2,918,073	2,071,793
	120,235,057	121,344,501	117,460,180
Annual Operating Surplus	$ ---	$ 196,569	$ 622,873

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Statement of Surplus
Year ended March 31, 2004

	2004	2003
Surplus, Beginning of Year	$ 622,873	$ 309,458
Surplus Transferred to Current Operations	(622,873)	(309,458)
	---	---
Excess of Revenue over Expenditure	196,569	622,873
Surplus, End of Year	$ 196,569	$ 622,873

Capital Fund Balance Sheet
March 31, 2004

ASSETS

	2004	2003
Fixed assets (Note 5)		
School buildings, land	$ 56,096,213	$ 56,096,215
Interest in properties	16,741,646	16,741,646
Equipment and furnishings	13,063,171	13,063,171
School buses and maintenance vehicles	8,177,204	9,017,668
Assets under capital leases	137,151	137,151
	$ 94,215,385	$ 95,055,851

EQUITY

	2004	2003
Investment in Capital Assets	$ 94,215,385	$ 95,055,851

Statement of Investment in Capital Assets
Year ended March 31, 2004

	2004	2003
Balance, beginning of year	$ 95,055,851	$ 94,549,315
Capital purchases funded from operations:		
Interest in properties	---	605,845
School buses and maintenance vehicles	166,894	207,202
	166,894	813,047
	95,222,745	95,362,362
Retirement of school buses and vehicles	(1,007,360)	(306,511)
Balance, end of year	$ 94,215,385	$ 95,055,851

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Scholarship Trust Fund Balance sheet
March 31, 2004

ASSETS

		2004		2003
Cash and investments	$	372,590	$	376,173

RESERVE FOR SCHOLARSHIPS

		2004		2003
Rossetti Scholarship	$	159,968	$	161,938
Townsend Scholarship		995		1,023
McDonagh Scholarship		5,195		5,232
Panagiotakos Scholarship		8,972		9,164
McQuarrie Scholarship		3,149		3,198
Annie Hall Scholarship		1,954		2,031
C.J.C.B. Scholarship		4,494		4,475
Daniel Munroe Scholarship		3,037		3,118
John D. MacLeod Scholarship		1,012		1,025
Annie Bell Grady Memorial		19,985		20,643
T.L. Sullivan Memorial		2,024		2,047
Mary Elizabeth Brennan Scholarship		2,328		2,355
William Hillchie Memorial		3,044		3,107
Isabel MacDermid Memorial		3,444		3,407
Wendell Coldwell Memorial		2,022		2,047
Jon David Corbett		3,039		3,072
Leonard Matheson		1,386		1,394
Ellen Dunn Balah		4,051		4,745
George MacKay Bursary		142,491		142,152
	$	372,590	$	376,173

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Statement of Scholarship Trust Fund Reserve
Year ended March 31, 2004

	Rossetti	Townsend	McDonagh	Panagiotakos	McQuarrie	Annie Hall	CJCB	Munro
Balance, beginning of year	$ 161,938	$ 1,023	$ 5,232	$ 9,164	$ 3,199	$ 2,031	$ 4,476	$ 3,118
Interest earned	1,830	12	63	108	130	23	18	37
	163,768	1,035	5,295	9,272	3,329	2,054	4,494	3,155
Scholarship awarded	3,800	40	100	300	180	100	---	118
Balance, end of year	$ 159,968	$ 995	$ 5,195	$ 8,972	$ 3,149	$ 1,954	$ 4,494	$ 3,037

	MacLeod	Grady	Sullivan	Brennan	Hillchie	MacDermid	Coldwell
Balance, beginning of year	$ 1,025	$ 20,642	$ 2,047	$ 2,355	$ 3,107	$ 3,407	$ 2,048
Interest earned	12	243	24	28	37	137	24
	1,037	20,885	2,071	2,383	3,144	3,544	2,072
Scholarship awarded	25	900	47	55	100	100	50
Balance, end of year	$ 1,012	$ 19,985	$ 2,024	$ 2,328	$ 3,044	$ 3,444	$ 2,022

					2004	2003
	Corbett	Matheson	Dunn Balah	MacKay	Total	Total
Balance, beginning of year	$ 3,072	$ 1,394	$ 4,745	$ 142,153	$ 376,176	$ 380,845
Interest earned	37	17	56	2,988	5,824	6,659
	3,109	1,411	4,801	145,141	382,000	387,504
Scholarship awarded	70	25	750	2,650	9,410	11,328
Balance, end of year	$ 3,039	$ 1,386	$ 4,051	$ 142,491	$ 372,590	$ 376,176

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Notes to Financial Statements
Year ended March 31, 2004

The Cape Breton-Victoria Regional School Board is incorporated under the provisions of the Education Act of the Province of Nova Scotia and its principal business activity is operating a regional school system serving the Cape Breton Regional Municipality and the Municipality of the County of Victoria.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting:

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed by the Nova Scotia District School Board Financial Handbook.

(A) Financial Statement Presentation:

The financial statements of the Board have been prepared in accordance with the fund basis of accounting.

(B) Revenue and Expenditures Recognition:

Revenue and expenditures are recorded using the modified accrual basis of accounting. Major revenues and expenditures are recorded on the accrual basis except for principal and interest payments relating to term debt, which are recorded as an expense when paid. Fixed assets acquired with operating funds are recorded as an expenditure when incurred. Employee salaries are not accrued and only amounts paid during the fiscal year are recorded as expenses.

(C) Fixed Assets:

Fixed assets are recorded at cost. Funds received through capital assistance programs are treated as additions to the investment in capital assets. The interest in school properties reflects only those capital expenditures made since the formation of the Cape Breton District School Board. Furniture and equipment purchased prior to January 1, 1982, have not been recorded in the capital fund. The School Board does not record depreciation on its fixed assets.

2. ACCOUNTS RECEIVABLE, PROVINCE OF NOVA SCOTIA

	2004	2003
TCA Capital	$ —	$ 237,679
Special Capital Project	—	219,489
Information Economy Initiative	135,056	90,480
Staff salary increase	—	2,909,019
Sabbaticals	436,096	228,846
Renovation South End Community Centre	—	120,000
Gas Tax Rebate	24,983	41,739
MacDonald High	—	179,131
Other	184,725	106,950
	$ 780,860	$ 4,133,333

3. ACCOUNTS RECEIVABLE, GOVERNMENT OF CANADA

	2004	2003
Harmonized sales tax	$ 544,377	$ 404,867
French Minority/French Special Projects	128,622	116,540
	$ 672,999	$ 521,407

4. DEFERRED SERVICE AWARDS

Beginning April 1, 2002, the Province of Nova Scotia is assuming responsibility for the payment of Service Awards pursuant to the two Cape Breton Victoria Local NSTU collective agreements. The Province has determined the actuarial liability for future service award payment to be recorded on the books of school boards.

5. FIXED ASSETS

On January 1, 1982, the Municipality of the County of Cape Breton, the City of Sydney and the Towns of Louisbourg, Dominion, New Waterford and Glace Bay formed the Cape Breton District School Board. Under the agreement, all land and school buildings on hand at December 31, 1981, remain assets of the municipal unit but will be under the operational control of the District School Board until such time as the Board no longer requires the assets for school purposes. At that time, control will revert back to the municipality.

In 1970 the former Northside Victoria District School Board acquired title to certain land and buildings from its supporting municipalities, which were to be offered back to the municipalities at no cost if they were ever declared surplus by the Board. With the amalgamation of the two Boards, the agreements with municipalities for land and school buildings remains unchanged.

As a result of improvements made to school buildings, the Cape Breton-Victoria Regional School Board now has an interest in real property to which it does not have title. Under the Education Act, should a municipal unit sell a building returned to it by the Regional School Board under the circumstances noted above, a portion of the proceeds will be payable to the Regional School Board. In the event of the destruction of the building such that insurance proceeds are payable, a portion of these proceeds, related to the improvements, will similarly be payable to the Regional School Board.

6. DEFERRED TEACHERS' SALARIES

Under the terms of the teachers' contract, the School Board withholds a portion of certain eligible teachers' salaries and deposits it with the Nova Scotia Teachers Credit Union. These amounts are subsequently withdrawn by the teachers in a year when they are on leave of absence. As at March 31, 2004, the Board had $712,929 ($609,235 at March 31, 2003) of such funds on deposit together with a corresponding liability to these teachers which amounts have not been included in these financial statements.

7. PENSION PLANS

The Board's teachers are covered by a pension plan established by the Province pursuant to the Teachers' Pension Act.

The Board's non-teaching staff are covered by a money-purchase pension plan.

8. INSURANCE

The Board is a member of the School Insurance Exchange, which provides all insurance coverage, except for fleet insurance, which is contracted to a private carrier.

9. RELATED PARTY TRANSACTIONS

These financial statements do not include certain expenditures paid on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- Early Retirement Program payments,
- P-3 school and facilities leases and operating costs, and
- Payments for the teachers' pension plans and medical premiums.

10. ACCRUED NON-TEACHING SALARIES

The Province of Nova Scotia is in the process of implementing the requirement for School Boards to accrue for non-teaching salaires. At March 31, 2004, the Cape Breton-Victoria Regional School Board had non-teaching salaries payable totalling $737,036, which have not been accrued in these financial statements. Accrual of this amount would reduce the March 31, 2004, operating surplus of $196,569 to a deficit of ($540,467).

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenue
Year ended March 31, 2004

	2004 Budget	2004 Actual	2003 Actual
Province of Nova Scotia			
Operating	93,924,200	93,884,234	91,270,579
Restricted	8,035,100	8,035,100	7,716,500
Emergency Capital	395,200	720,200	1,255,700
Other	1,545,906	1,460,896	914,284
Recoveries - MacDonald High	—	—	331,393
Total Province of Nova Scotia	$ 103,900,406	$ 104,100,430	$ 101,488,456
Other Revenues			
Board Generated - Other	1,592,858	1,888,909	1,590,987
Other Revenue - Schools	715,000	826,418	726,844
Tuition - Students	300,000	318,776	370,883
Rentals	40,000	46,211	46,737
Investment Interest	100,000	124,286	104,066
Insurance Recoveries	—	—	595,914
Sale of Assets	16,000	20,335	21,271
Grants - Non-Governmental	500,000	1,009,103	610,812
Total Other Revenue	$ 3,263,858	$ 4,234,038	$ 4,067,514

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures
Year ended March 31, 2004

	2004 Budget	2004 Actual	2003 Actual
Board Governace			
Salaries, Wages and Employee Benefits	151,710	144,482	151,502
Office Supplies	5,000	4,336	6,479
Meterage/In Service/Conference/Meetings	42,400	30,137	31,715
NSSBA Dues	73,658	73,794	74,238
Total Board Goverance	$ 272,768	$ 252,749	$ 263,934
Regional Management			
Salaries, Wages and Employee Benefits	1,921,210	1,948,902	1,859,789
Supplies, Materials & Equipment	175,162	158,304	174,885
Telephone	49,200	61,105	44,867
Meterage/In Service/ Conference/ Meetings	48,800	56,279	47,187
Insurance	107,265	107,264	88,310
Professional Fees	135,000	105,642	134,018
Other	77,100	96,859	74,061
Total Regional Management	$ 2,513,737	$ 2,534,355	$ 2,423,117
School Management & Support			
Salaries, Wages and Employee Benefits	11,486,921	11,217,675	11,281,102
Supplies, Materials & Equipment	265,920	166,043	124,015
Professional Development	700,000	706,715	578,846
Meterage/In Service/Conference/Meetings	20,800	17,364	21,600
Total School Management	$ 12,473,641	$ 12,107,797	$ 12,005,563
Instructional & School Services			
Salaries, Wages and Employee Benefits	65,717,485	66,369,799	65,773,927
Supplies, Materials & Equipment	1,574,815	1,485,137	1,331,762
Telephone	396,600	394,868	439,788
Circuit Meterage	200,500	177,679	189,827
French Minority	47,000	34,420	37,581
Textbook Credit Allocation	979,900	979,900	995,193
Total Instruction	$ 68,916,300	$ 69,441,803	$ 68,768,078
Student Support			
Salaries, Wages and Employee Benefits	14,296,579	14,450,798	11,787,999
Supplies, Materials & Equipment	59,394	34,197	27,799
Total Student Support	$ 14,355,973	$ 14,484,995	$ 11,815,798

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (continued)
Year ended March 31, 2004

	2004 Budget	2004 Actual	2003 Actual
Adult & Community Education			
Adult Day School	566,283	548,757	484,464
Adult Night School	82,078	76,953	78,250
Total Adult Education	$ 648,361	$ 625,710	$ 562,714
Property Services			
Salaries, Wages and Employee Benefits	5,434,658	5,698,727	5,293,072
Supplies, Materials & Equipment	965,000	1,003,799	959,101
Utilities & Fuel	3,925,669	3,600,902	3,773,507
Meterage/In Service/ Conference/Meetings	25,000	30,308	25,780
Contracted Services	677,172	819,162	673,952
Rental of Facilities	287,423	279,574	281,811
Insurance	532,620	534,572	424,884
Vehicle Operating	93,000	142,548	116,410
Operating & TCA Capital	1,205,200	1,294,882	1,925,510
Recoverable extrodinary expenses	—	—	936,766
Total Property Services	$ 13,145,742	$ 13,404,474	$ 14,410,793
Student Transportation			
Salaries, Wages and Employee Benefits	3,544,396	3,692,513	3,431,470
Vehicle Operating	1,600,831	1,592,705	1,428,404
Meterage/In Service/Conference/Meetings	21,500	31,123	24,820
Contract Conveyance	248,200	252,353	241,990
Other	7,000	5,851	11,706
Total Student Transportation	$ 5,421,927	$ 5,574,545	$ 5,138,390
Other Programs			
Summer School	28,000	29,629	25,475
Cafeteria	625,000	749,104	653,851
Grant Expenditures	520,000	1,043,826	610,812
Technology (Capital)	225,000	223,748	153,797
Information Economy Initiative	653,340	357,738	383,087
Technology Refresh (P-3 Schools)	435,268	514,028	244,771
Total Other Programs	$ 2,486,608	$ 2,918,073	$ 2,071,793

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Schedule C - Supplementary Details of Grant Revenue and Expenditure
Year Ended March 31, 2004

From time to time, the Board receives funding for specific expenditure purposes. The Board accounts for such funding on a net expenditure basis so as not to distort the comparison of its actual expenditures within the context of their budgetary framework. A summary of the total funding and related expenditures for the year is presented below.

Program	Revenue	Expenditure	Net Cost
Child youth services	118,166	118,166	—
Anti-racism	2,178	2,178	—
Special Ed	127,321	127,822	501
Reading recovery	66,876	66,876	—
Sexuality Grant	3,000	3,197	197
Breakfast Program	93,058	113,058	20,000
Cornwallis & Cusack	5,901	5,901	—
Film and Video	4,307	4,305	(2)
Math Grant - Sydney Academy	3,960	3,960	—
Heritage	2,876	2,876	—
Grassroots	51,450	51,450	—
N.S. International Students	418,052	418,052	—
Healthy Education	6,759	6,759	—
Active Readers - D. Crane	3,351	3,351	—
Gaelic Language & Jr. High Networking	13,000	13,000	—
Outreach Program	57,298	57,298	—
Language Arts - Active Young Readers	1,957	1,957	—
George D. Lewis	2,980	2,980	—
Morrision	206	206	—
St. Mikes	3,192	3,192	—
Sydney Mines	1,081	1,081	—
S.P.E.C.	884	884	—
Thompson	206	206	—
Rankin	206	206	—
Malcolm Munroe	206	206	—
MacLennan	1,189	1,189	—
MacDonald Complex	9,360	9,360	—
Dr. T.L. Sullivan	492	492	—
Donkin	206	206	—
Breton Education Ctr.	5,532	5,532	—
Whitney Pier Memorial	2,744	2,744	—
Bridgeport	206	206	—
Cabot	903	903	—
Workers Compensation	—	14,027	14,027
	$ 1,009,103	$ 1,043,826	$ 34,723

AUDITORS' REPORT

To the Board of Directors of
Capital District Health Authority

We have audited the statement of financial position - operating and capital funds of the Capital District Health Authority ("Capital Health") as at March 31, 2004 and the statements of fund balances, revenues and expenditures, and cash flow for the year then ended. These financial statements are the responsibility of the Capital Health's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by mangement, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Capital Health as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

Halifax, Canada
May 14, 2004

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Statement of Financial Position - Operating and Capital Funds
as at March 31, 2004

(in thousands)

	Operating Fund	Capital Fund	Total 2004	Total 2003
ASSETS				
Current				
Cash & short term investments	$ 41,663	$ —	$ 41,663	$ 38,957
Accounts receivable	28,330	—	28,330	27,199
Due from Department of Health	14,052	—	14,052	14,366
Due from Provincial Drug Distribution Program	722	—	722	404
Due from Department of Finance (note 7)	662	—	662	1,693
Due from Foundations	3,029	—	3,029	1,030
Due (to) from other fund	(5,480)	5,480	—	—
Inventories (note 3)	6,244	—	6,244	5,119
Prepaid expenses	1,652	—	1,652	1,908
	90,874	5,480	96,354	90,676
Vacation pay accrual (note 7)	6,406	—	6,406	6,406
Due from Department of Finance (note 7)	35,069	—	35,069	30,930
Restricted cash and investments (notes 2 and 6)	18,052	—	18,052	16,233
Capital assets (note 4)	—	223,345	223,345	225,630
Parking garage (notes 4 and 11)	—	10,862	10,862	7,092
	$ 150,401	$ 239,687	$ 390,088	$ 376,967
LIABILITIES AND FUND BALANCE				
Current				
Accounts payable and accrued liabilities	$ 76,346	$ —	$ 76,346	$ 62,781
Deferred revenue (note 5)	20,486	5,496	25,982	29,958
Current portion of long term debt (note 11)	—	321	321	154
	96,832	5,817	102,649	92,893
Restricted liabilities (notes 2 and 6)	18,052	—	18,052	16,233
Long term debt (note 11)	—	10,525	10,525	10,846
Employee future benefits (notes 2 and 7)	35,504	—	35,504	31,365
	150,388	16,342	166,730	151,337
Fund Balance				
Operating surplus	13	—	13	—
Investment in capital assets	—	223,345	223,345	225,630
	13	223,345	223,358	225,630
	$ 150,401	$ 239,687	$ 390,088	$ 376,967

Commitments and contigency (notes 8, 9, 10 and 12)
See accompanying notes

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Statement of Fund Balances
Year ended March 31, 2004

OPERATING FUND

	2004	2003
	(in thousands)	
Balance, beginning of year	$ ---	$ 11
Net revenues under expenditures before amortization	130	---
Net amortization deficit	(117)	---
	13	11
Transfer of equity to operating fund	---	(11)
Balance, end of year	$ 13	$ ---

INVESTMENT IN CAPITAL ASSETS

	2004	2003
Capital Funding, beginning of year	$ 458,326	$ 437,631
Capital funding for the year (Schedule C)	21,835	20,695
Disposal of capital assets	(193)	---
	479,968	458,326
Accumulated amortization of capital fund, beginning of year	(232,696)	(207,877)
Amortization of capital	(24,120)	(24,819)
Disposal of capital assets	193	---
Accumulated amortization of capital fund, end of year	(256,623)	(232,696)
Balance, end of year	$ 223,345	$ 225,630

See accompanying notes

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Statement of Revenues and Expenditures
Year ended March 31, 2004

	2004	2003
		(in thousands)
Operating		
Revenues (Schedule A)	$ 568,819	$ 519,157
Expenditures (Schedule B)	568,689	529,181
Results from operating activities	130	(10,024)
Capital		
Amortization of capital fund	24,120	24,819
Gain on sale of equipment	20	---
Depreciation	(24,257)	(24,819)
Results from capital activities	(117)	---
Results from operating and capital activities	13	(10,024)
Research		
Revenues	14,873	11,193
Expenditures	13,054	11,844
	1,819	(651)
Opening balance	16,233	16,884
Ending funds available for research	18,052	16,233
Funds committed to future periods	18,052	16,233
Results from research activities	---	---
Net revenues over (under) expenditures before deficit funding	13	(10,024)
Operating deficit funding received from Department of Health	---	10,024
Net revenues over expenditures	$ 13	$ ---

See accompanying notes

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Statement of Cash Flow
Year ended March 31, 2004

	2004	2003
		(in thousands)
OPERATING ACTIVITIES		
Net revenues over (under) expenditures - operating fund	$ 130	$ (10,024)
Items not requiring cash		
Depreciation	(24,257)	(24,819)
Amortization of capital fund	24,120	24,819
Changes in non-cash working capital items	2,478	(2,556)
Cash provided by (used in) operating activities	2,471	(12,580)
FINANCING ACTIVITIES		
Operating deficit funding from Department of Health	---	10,024
Other	---	(11)
Capital funding (Schedule C)	21,835	20,695
Gain on sale of equipment	20	---
Employee future benefits	4,139	2,348
Parking garage - long term debt	(154)	11,000
Restricted funding	1,819	(651)
Cash provided by financing activities	27,659	43,405
INVESTING ACTIVITIES		
Parking garage	(3,770)	(7,092)
Capital assets acquired (Schedule C)	(21,835)	(20,695)
Cash used in investing activities	(25,605)	(27,787)
Net increase in cash during the year	4,525	3,038
Cash position, beginning of year	55,190	52,152
Cash position, end of year	$ 59,715	$ 55,190
Cash position, end of year is comprised as follows:		
Cash and short-term investments	41,663	38,957
Restricted cash and investments	18,052	16,233
	$ 59,715	$ 55,190

See accompanying notes

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Notes to Financial Statements
March 31, 2004

1. Nature of the Organization

Effective January 1, 2001 Bill 34 of the Province of Nova Scotia created the Capital District Health Authority "Capital Health". Capital Health includes the QE11 Health Sciences Centre, Nova Scotia Hospital and the former Central Regional Health Board. Collectively, these organizations provide core health services to 40% of the population of Nova Scotia, and tertiary and quarternary acute services to residents of Atlantic Canada.

Capital Health is a non profit entity and, as such, is exempt from income tax.

2. Significant Accounting Policies

Fund accounting

Capital Health maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating activities from capital activties.

The operating fund contains the non-capital operating assets, liabilities, revenues and expenditures of Capital Health related to the provision of hospital services.

The capital fund contains the capital assets, net of accumulated depreciation and related capital funding, net of accumulated amortization.

Measurement Uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventories

Inventories are stated at cost, being the lower of cost and replacement cost.

Capital Assets

Capital assets are recorded at cost and depreciated at the following annual rates:

Halifax Infirmary building	50 years straight-line
Dartmouth General Hospital and Hants building	40 years declining balance
Parking garage	40 years straight-line
Other buildings and additions	20 - 50 years straight-line
Equipment	10 years straight-line
Leasehold improvements	10 years straight-line
Information technology	5 years straight-line
Parking equipment	10 years straight-line
Paving	5 years straight-line

Restricted cash, investments and liabilities

Restricted cash and investments are designated for restricted purposes by independent funders, by regulation, or by resolution of Capital Health's Board of Directors. Investments are stated at the lower of cost and market. The corresponding restricted liability represents the unexpended fund balance.

Short-term investments

Short-term investments are recorded at market value at the balance sheet date.

Capital contributions

Capital contributions are recorded as capital funding and amortized to income using the same rates as depreciation expense related to the capital assets purchased. Capital contributions for non-depreciable capital assets are recorded as direct increases in the investment in capital.

Employee future benefits/Due from Department of Finance

Employee future benefits include Retirement Allowances/Public Service Awards paid to employees upon retirement. Per Union Collective agreements employees are entitled to a payment of one weeks salary for every year of full time service that an employee has contributed to the organization. Annually, the Province of Nova Scotia contracts a third party to perform an Acturial Valuation for all government departments, government agencies and boards.

A liability for employee future benefits of $35,068,816 has been included in the financial statements in the current year. The Province of Nova Scotia funds this liability so a receivable for the same amount has been recorded from the Department of Finance. The current year's net expense incurred for employee future benefits is $5,638,752.

Financial instruments

The organization's primary financial instruments consist of receivables, payables and long-term debt. The difference between the carrying values and the fair market values of the primary financial instruments are not material due to the short term maturities and the credit terms of those instruments with the exception of certain debt instruments (see Note 11).

3. Inventories

		2004		2003
				(in thousands)
Drugs	$	4,337	$	3,396
General supplies		898		766
Medical Surgical		1,009		957
	$	6,244	$	5,119

4. Capital Assets

		2004				2003		
		Cost		Accumulated Depreciation		Cost		Accumulated Depreciation
				(in thousands)				
Land	$	324	$	---	$	324	$	---
Land improvements		846		146		846		141
Halifax Infirmary building		110,023		16,467		110,023		14,267
Buildings and additions		74,640		35,680		74,640		34,425
Equipment		186,489		136,116		171,903		124,674
Leasehold improvements		70,968		33,157		64,688		26,449
Information technology		36,346		34,733		35,570		32,450
Parking equipment		20		12		20		9
Paving		312		312		312		281
		479,968		256,623		458,326		232,696
Less: accumulated depreciation		256,623				232,696		
	$	223,345			$	225,630		

	2004		2003	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
		(in thousands)		
Parking garage	$ 11,000	$ 138	$ 7,092	$ —
Less: accumulated depreciation	138		—	
	$ 10,862		$ 7,092	

5. Deferred Revenue

Deferred revenue in the operating fund of $20,486,000 represents advance funding received from the Department of Health for the 2004/05 fiscal year and other program deferred funding. Deferred revenue in the capital fund of $5,496,000 represents advance funding for capital equipment to be purchased subsequent to March 31, 2004.

6. Cash, Investments and Liabilities

These assets and liabilities represent funds, the use of which is restricted by various conditions as described in note 2. For the fiscal year 2003/2004, research revenue totaled $14,873,000 and research expenses totaled $13,054,000 resulting in a net increase of $1,819,000.

	2004	2003
	(in thousands)	
Centre for Clinical Research	$ 14,233	$ 14,104
Other	3,819	2,129
	$ 18,052	$ 16,233

7. Employee Future Benefits

Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is calculated by the Provincial Department of Finance for District Health Authorities. It is calculated using the projected benefit method prorated on services as required under section 3250 of the PSAB handbook. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting Accounts Receivable is recorded on the books for the same amount.

Employee future benefits include Retirement Allowances/Public Service Awards paid to employees upon retirement. Per Union Collective agreements employees are entitled to a payment of one weeks salary for every year of full time service that an employee has contributed to the organization. Annually, the Province of Nova Scotia contracts a third party to perform an Actuarial Valuation for all government departments, government agencies and boards. A liability is recorded for this liability on the books of Capital Health. Capital Health also provides a life insurance future benefit for employees upon retirement, this is recorded as a liability on the books of Capital Health.

Capital Health has provided for retirement allowances and life insurance as follows:

	2004	2003 (in thousands)
Beginning balance, accrued benefit liability		
Beginning balance, retiring allowances	$ 30,930	$ 28,537
Current service cost for the year	2,324	1,993
Interest cost during the year	2,183	1,802
Plan amendment	1,087	---
Amortization of experience gain (loss)	45	(151)
Estimated fiscal payments for employees	(1,500)	(1,251)
Ending balance, retiring allowances	35,069	30,930
Life insurance benefits	435	435
Ending balance, accrued benefit liability	$ 35,504	$ 31,365
Employee future benefits expense		
Current service costs	$ 2,324	$ 1,993
Interest on accrued benefits	2,183	1,803
Plan Amendment	1,087	---
Amortization of experience loss	45	(151)
	$ 5,639	$ 3,645

The significant actuarial assumptions adopted in measuring the company's employee future benefits are as follows (weighted-average assumptions) as at March 31, 2004:

	Retirement Allowance	Life Insurance
Discount rate	6.17%	7.5%
Retirement % at age 65	50.0%	50.0%
Average age of employees	43.6	---
Average age of services	13.3	---
Future mortality rate	(GAM 94, projected to 2000)	20.0%
Rate of compensation increase	13.65%	---

The vacation pay accrued for amounts earned to the balance sheet date will be funded by Department of Health as it is paid to the employees.

8. Pension Funds

Public Service Superannuation Fund

Most former employees of the Victoria General Hospital ("VGH"), Cancer Treatment and Research Foundation ("CTRF"), Nova Scotia Hospital ("NSH"), Public Health and Drug Dependency of the Central Regional Health Board belong to the Public Service Superannuation Fund ("the Plan"). The Plan is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Nova Scotia Government Department of Finance administers the Plan. Capital Health is not responsible for any unfunded liability in this plan.

Nova Scotia Association of Health Organizations

Employees of the former Nova Scotia Rehabilitation Centre ("NSRC"), Camp Hill Medical Centre ("CHMC") and the Central Regional Health Board ("CRHB") participate in the multi-employer pension plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2000 and showed funding excess for the entire plan of over $107,500,000. An extrapolation to December 31, 2003 was performed, which indicates a funding surplus of $90,900,000.

Federal Superannuation Fund

A small group of employees of the former Camp Hill Medical Centre ("CHMC") who were on staff when Camp Hill Hospital transferred from Federal to Provincial jurisdiction on May 29, 1978 opted to continue in this pension plan. The Plan is funded by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Public Works and Government Services Canada administer the pension plan. Capital Health is not responsible for any unfunded liability in this plan.

Total employer contributions to the above mentioned plans is as follows:

	2004	2003
	(in thousands)	
Employer contributions	$ 17,378	$ 14,989

9. Long-Term Disability Plan

Public Service Long Term Disability Plan Trust Fund

Employees of the former VGH, CTRF, NSH and Public Health/Drug Dependency from the Central Regional Health Board are members of this plan which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Plan is currently administered by the Province of Nova Scotia and NSGEU. The most recent actuarial valuation was conducted as at June 1, 2002 and disclosed an unfunded liability of approximately $38,900,000.

Nova Scotia Association of Health Organizations

Employees of the former CHMC, QEII and the former CRHB are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Nova Scotia Association of Health Organizations administers this long-term disability plan. The most recent actuarial valuation was completed as of August 31, 2003, this valuation indicates a funding deficiency of $6,258,000.

Canada Life Plan

Employees of the former NS Rehabilitation Centre are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The plan is currently administered by Canada Life.

10. Operating Lease Commitments

Capital Health is committed to the following annual lease payments in each of the next five fiscal years ended March 31:

	(in thousands)
2005	$4,881
2006	4,682
2007	4,662
2008	4,662
2009	4,662

11. Long-Term Debt Parking Garage

	2004	2003
	(in thousands)	
Term loan	$ 10,846	$ 11,000
Less: current portion	321	154
	$ 10,525	$ 10,846

Capital Health received approval in 2002/2003 from its Board of Directors and the Department of Health to construct a new multi level parking garage at its Halifax Infirmary site. The parking garage became fully operational in the 2003/2004 fiscal year, the final project cost amounted to $11,000,000.

A debenture between Capital Health and the Nova Scotia Municipal Financing Corporation was signed on January 10, 2003 to finance this Capital Project. The Department of Health issued a letter dated December 10, 2002 confirming an intercept mechanism on its provincial grant payments to Capital Health in case of loan default.

The term loan amounting to $11,000,000 bears interest at 5.913% and matures on January 9, 2023, and is repayable in semi-annual installments of principal and interest totalling $478,961.

Principal repayments for each of the next five years are as follows:

Fiscal	(in thousands)
2005	$ 321
2006	341
2007	361
2008	383
2009	406
Thereafter in aggregate	9,034
	$ 10,846

12. Contingency

The Capital Health is responsible for a portion of the cost of the supplementary medical plan for retired employees. The actuarial value of this amount has not been determined but the cost to Capital Health is expected to be covered by the Government of Nova Scotia.

13. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

Schedule A

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Schedule of Revenues Operating Fund
Year ended March 31, 2004

	Operating	Provincial Funded Programs	Total 2004	Total 2003 (in thousands)
Department of Health $	413,065 $	89,967 $	503,032 $	457,568
Federal Government	9,319	10,422	19,741	20,075
Non resident billings	8,491	---	8,491	8,606
Preferred accommodation	7,090	---	7,090	8,120
Other	10,397	---	10,397	7,253
Dietary	5,404	---	5,404	5,311
Lab and support services	5,458	---	5,458	5,274
Provincial grants	5,639	---	5,639	3,645
Workers Compensation Board	3,567	---	3,567	3,305
Revenues $	468,430 $	100,389 $	568,819 $	519,157

Schedule B

Schedule of Expenditures Operating Fund
Year ended March 31, 2004

	Operating	Provincial Funded Research	Total 2004	Total 2003 (in thousands)
Compensation $	326,653 $	80,978 $	407,631 $	379,848
Med/ surgical Supplies	43,356	4,224	47,580	42,961
Plant maintenance/utilities	33,766	3,036	36,802	36,479
Drugs	20,173	2,686	22,859	20,902
Other	16,748	4,590	21,338	20,876
Lab/diagnostic supplies	11,835	376	12,211	11,605
Purchased services	10,797	3,832	14,629	12,865
Retirement allowance expense	5,639	---	5,639	3,645
Expenditures $	468,967 $	99,722 $	568,689 $	529,181

Schedule C

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Schedule of Changes in Capital
Year ended March 31, 2004

	2004	2003
	(in thousands)	
Capital Funding		
Department of Health (Capital Grant)	$ 5,198	$ 8,101
Department of Health (Other)	5,044	---
Funding from deferred capital	4,283	3,811
Clinical Research	---	1,081
Federal Government	4,569	5,565
Foundations	2,741	2,137
	$ 21,835	$ 20,695

	2004	2003
Capital Expenditures		
Leasehold improvements	$ 6,279	$ 8,831
Equipment	14,782	11,127
Land	---	154
Information technology	774	583
	$ 21,835	$ 20,695

Unaudited

CHECK INNS LIMITED

Statement of Loss and Retained Earnings
year ended March 31, 2004

	2004	2003
Expenses	$ ---	$ ---
Retained earnings, beginning of year	$ (89,910)	$ (89,910)
Retained earnings, end of year	$ (89,910)	$ (89,910)

AUDITORS' REPORT

To the Chairperson and Members
of the Board

We have audited the balance sheets of Chignecto-Central Regional School Board as at March 31, 2004 and the statements of operations, surplus, investment in capital assets and continuity of reserves for the year then ended. These financial statements have been prepared to comply with Section 83 of the Education Act of the Province of Nova Scotia. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2004 and the results of its operations for the year then ended in accordance with accounting principles as outlined in note 1.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Board of Trustees of the Chignecto-Central Regional School Board and the Department of Education of the Province of Nova Scotia for complying with Section 83 of the Education Act. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the Schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP
Chartered Accountants

Halifax, Canada
June 11, 2004

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Consolidated Balance Sheet
March 31, 2004

ASSETS

	2004	2003
Current assets:		
Cash	$ 1,232,613	$ 9,595
Accounts receivable:		
Government of Canada (note 2)	2,636,502	2,777,954
Province of Nova Scotia (note 3)	1,375,787	5,513,322
Municipalities	637	---
Other	329,577	875,659
Prepaid expenses	97,094	535,383
	5,672,210	9,711,913
Other assets:		
Province of Nova Scotia - Service Awards (note 4)	17,434,280	16,400,701
Due from trust funds	1,000	—
Restricted cash and investments	3,452,147	3,473,203
	20,887,427	19,873,904
Capital assets (note 5):		
Operations Centre and vehicles, net of accumulated amortization of $163,622 (2003 - $19,806)	2,505,557	2,448,060
School buildings and land	83,024,541	83,024,541
Equipment and furnishings	34,133,834	34,133,834
School buses and maintenance vehicles	12,443,816	12,159,955
	132,107,748	131,766,390
	$ 158,667,385	$ 161,352,207

LIABILITIES AND EQUITY

	2004	2003
Current liabilities:		
Bank indebtedness	$ —	$ 1,389,215
Accounts payable and accrued liabilities	4,357,684	8,842,596
Deferred revenue	848,695	834,028
	5,206,379	11,065,839
Other liabilities:		
Service awards (note 4)	17,434,280	16,400,701
Deferred contributions - capital assets, net of accumulated amotrization of $57,916 (2003 - $8,333)	942,084	991,667
	18,376,364	17,392,368
Equity:		
Reserves	3,452,147	3,473,203
Investment in capital assets	129,663,221	129,379,360
Surplus - non-restricted	1,969,274	41,437
	135,084,642	132,894,000
	$ 158,667,385	$ 161,352,207

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Operating Fund Balance Sheet
March 31, 2004

ASSETS

	2004	2003
Current assets:		
Cash	$ 1,232,613	$ 9,595
Accounts receivable:		
Government of Canada (note 2)	2,636,502	2,777,954
Province of Nova Scotia (note 3)	1,375,787	5,513,322
Municipalities	637	---
Other	329,577	875,659
Prepaid expenses	97,094	535,383
	5,672,210	9,711,913
Other assets:		
Accounts receivable, Province of Nova Scotia - Service awards (note 4)	17,434,280	16,400,701
Due from trust funds	1,000	---
Restricted cash and investments	3,403,117	3,425,946
	20,838,397	19,826,647
Operations Centre and vehicles, net of accumulated amortization of $163,622 (2003 - $19,806)	2,505,557	2,448,060
	$ 29,016,164	$ 31,986,620

LIABILITIES AND EQUITY

	2004	2003
Current liabilities:		
Bank Indebtedness	$ ---	$ 1,389,215
Accounts payable and accrued liabilities	4,357,684	8,842,596
Deferred revenue	848,695	834,028
Due to own funds	3,464,147	3,486,976
	8,670,526	14,552,815
Other liabilities:		
Service award liability (note 4)	17,434,280	16,400,701
Deferred contributions - capital assets, net of accumulated amortization of $57,916 (2003 - $8,333)	942,084	991,667
	18,376,364	17,392,368
Equity:		
Surplus - non-restricted	1,969,274	41,437
	$ 29,016,164	$ 31,986,620

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Statement of Operations
Year ended March 31, 2004

	2004 Budget	2004 Actual	2003 Actual
Revenue (schedule A):			
Province of Nova Scotia	$ 120,207,872	$ 123,576,234	$ 117,684,038
Government of Canada	2,576,285	2,997,928	2,955,578
Appropriation from Councils	20,634,700	20,021,869	19,839,535
Board operations	2,722,796	3,137,601	3,991,349
	$ 146,141,653	$ 149,733,632	$ 144,470,500
Expenditures (schedule B):			
Board governance	$ 370,539	$ 361,120	$ 319,200
Regional management	3,752,446	3,538,857	3,339,460
School management and support	14,269,195	14,716,310	14,633,553
Instruction and school services	84,379,652	84,757,715	83,698,691
Student support	14,704,540	15,143,991	14,976,004
Adult and community education	820,792	921,258	823,464
Property services	18,069,641	18,283,161	16,971,168
Pupil transportation	9,404,778	8,767,896	8,167,392
Other programs	1,180,070	1,194,500	2,052,380
Settlement of pension plans	---	---	900,000
Capital asset amortization	120,000	143,816	19,806
Interest expense	70,000	---	---
	$ 147,141,653	$ 147,828,624	$ 145,901,118
Surplus (deficit) before reserve transfers	$ (1,000,000)	$ 1,905,008	$ (1,430,618)
Transfers from reserves	$ 1,000,000	$ 22,829	$ 1,430,618
Annual operating surplus	$ ---	$ 1,927,837	$ ---

Statement of Surplus
Year ended March 31, 2004

	2004	2003
Surplus, beginning of year	$ 41,437	$ 41,437
Annual operating surplus	1,927,837	---
Surplus, end of year	$ 1,969,274	$ 41,437

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Capital Fund Balance Sheet
March 31, 2004

ASSETS

	2004	2003
Due from own funds	$ 61,030	$ 61,030
Capital assets (note 5):		
School buildings and land	83,024,541	83,024,541
Equipment and furnishings	34,133,834	34,133,834
School buses and maintenance vehicles	12,443,816	12,159,955
	$ 129,663,221	$ 129,379,360

EQUITY

	2004	2003
Investment in capital assets	129,663,221	129,379,360
	$ 129,663,221	$ 129,379,360

Statement of Investment in Capital Assets
Year ended March 31, 2004

	2004	2003
Balance, beginning of year	$ 129,379,360	$ 128,697,261
School buses purchased by Province	1,132,038	1,112,420
Retirement of capital assets:		
School buses and maintenance vehicles	(848,177)	(430,321)
Balance, end of year	$ 129,663,221	$ 129,379,360

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Reserve Fund Balance Sheet
March 31, 2004

	2004	2003
ASSETS		
Cash and investments	$ 49,030	$ 47,257
Due from own funds	3,403,117	3,425,946
	$ 3,452,147	$ 3,473,203
RESERVES		
Reserve for Instructional Program Enhancement	$ 727,891	$ 714,365
Reserve for School Advisory Councils	18,633	18,633
Reserve for future operations	2,648,766	2,685,121
Special Capital Reserve	14,076	13,856
Capital Reserve	42,781	41,228
	$ 3,452,147	$ 3,473,203

Statement of Continuity of Reserves
Year ended March 31, 2004

	2004	2003
Balance, beginning of year	$ 3,473,203	$ 4,902,106
Interest earned	1,773	1,717
	3,474,976	4,903,823
Transfer to (from) current operations:		
Instructional Program Enhancement	13,526	(64,741)
Future operations	(36,355)	(1,365,879)
Balance, end of year	$ 3,452,147	$ 3,473,203

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Notes to Financial Statements
Year ended March 31, 2004

Pursuant to an Act passed by the Province of Nova Scotia, the Colchester-East Hants District School Board, Cumberland District School Board, and the Pictou District School Board were amalgamated to form the Chignecto-Central Regional School Board. The Regional School Board is incorporated under the provisions of the Education Act of the Province of Nova Scotia and its principal business activity is operating a regional school system.

1. **Significant accounting policies:**

(a) Basis of accounting:

These financial statements have been prepared in accordance with the significant policies set out below to comply with the accounting requirements prescribed by the Nova Scotia Department of Education for financial statements under Section 83 of the Education Act. The basis of accounting used in the financial statements materially differs from Canadian generally accepted accounting principles because:

(i) they are based on a modified accrual basis of accounting. Major revenue and expenditure items are recorded on the accrual basis except for teacher's salaries and benefits which are recorded as an expense when paid.

(ii) capital assets:

- there has been no depreciation taken on assets acquired prior to April 1, 2002
- school buses are not depreciated.

(iii) pension benefit expenditure:

The pension benefit expenditure is comprised of the amount of the employer contributions to the respective plans on behalf of the employees.

(b) Financial statement presentation:

The financial statements of the Board have been prepared in accordance with the fund basis of accounting.

(c) Capital assets and deferred contributions:

Capital assets are recorded at cost. Effective April 1, 2002 funds received through provincial capital assistance programs for Tangible Capital Assets (TCA projects) are netted against the corresponding capital expenditures.

The Regional School Board has adopted an accounting policy for all other newly acquired capital assets, with the exception of school buses, effective April 1, 2002. The policy charges a percentage of the original cost to each year over the useful life of the asset (5% for Operations Centre assets and 30% for vehicles). The policy also sets thresholds for the identification of capital assets at a much higher level than was previously in place. Prior to April 1, 2002, the policy was to charge the full cost of capital projects to expenditures in the year in which they occured as "capital out of revenue". These items are now recorded under their specific categories in the applicable departments. Funding received for capital assets other than TCA projects and school buses is recorded as deferred contributions for capital assets and is amortized in a systematic manner which corresponds to the amortization of the asset.

Effective April 1, 2001, the Province of Nova Scotia no longer provided funding to Boards for purchases of school buses, assuming fully the responsibility and cost of purchasing. The total cost of school buses, paid by the Province has been treated as an addition to the capital assets and to the investment in capital assets.

(d) Basis of consolidation:

The consolidated balance sheet has been prepared to conform in all material respects to the accounting principles prescribed by the Nova Scotia District School Board Financial Handbook. Trust funds are not included in the consolidation (see note 8) and interfund balances have been eliminated.

2. **Accounts receivable, Government of Canada:**

	2004	2003
Band Councils	$ 2,104,179	$ 2,028,996
Harmonized Sales Tax	532,323	659,719
Other	---	89,239
	$ 2,636,502	$ 2,777,954

3. **Accounts receivable, Province of Nova Scotia:**

	2004	2003
French special projects	$ ---	$ 151,997
Information Economy Initiative	86,825	84,238
Retroactive wages	---	3,512,957
Special capital projects	633,002	332,995
Operations Centre	---	1,000,000
Technology Refresh	223,928	82,591
Other	432,032	348,544
	$ 1,375,787	$ 5,513,322

4. **Service Award Program:**

Teachers receive a service award upon retirement, disability, death or termination, when entitled to a vested pension under the contracts between the Nova Scotia Teachers Union locals and the predecessor boards. The contracts prescribe the formulae used in calculating the payment as well as the period over which the payment is to be made.

The Province of Nova Scotia assumed responsibility for the payment of service awards for all qualifying school board employees effective April 1, 2002. As a result, school boards were required to make certain entries on their financial statements beginning with the year ending March 31, 2002, to record the value of projected liabilities, as well as a corresponding receivable from the Province of Nova Scotia. These entries have been determined by the Nova Scotia Department of Finance in relation to an independent actuarial valuation performed for them. This valuation calculated the present value of the service awards payable for past services for the Chignecto-Central Regional School Board to be $17,434,280 as of March 31, 2004 (2003 - $16,400,701). Beginning April 1, 2002, school boards are required to expense 1% of payroll to the Province towards these costs.

5. Capital assets:

In 1982, on creation of the former District School Boards, an agreement was made with respect to capital assets which stated that all land and school buildings on hand at December 31, 1981 remain assets of the municipal units but will be under the operational control of the District School Boards until such time as the School Boards no longer require the assets for school purposes. At that time, control will revert back to the municipalities. In addition, one of the former District School Boards also had an agreement to offer back to the municipalities, at no cost, certain land and buildings acquired in 1970 if they are ever declared surplus by the Board. These agreements have been carried forward to the Regional School Board.

As a result of improvements made to school buildings, the Chignecto-Central Regional School Board now has an interest in real property to which it does not have title. Under the Education Act, should a building returned by the Regional School Board under the circumstances noted above, be sold by the Municipal unit or destroyed, a portion of any proceeds will be payable to the Regional School Board.

6. Insurance:

The Board is a member of a self insurance plan with the Nova Scotia School Board Association.

7. Pension plans:

The Regional School Board's Canadian Union of Public Employees (CUPE) staff participate in a defined benefit pension plan on behalf of the Regional School Board by the Nova Scotia School Boards Association. The latest actuarial valuation was performed on December 31, 2000 and indicated accrued pension benefits of $4,937,300 and pension fund assets with market values of $5,258,000.

The Regional School Board's Nova Scotia Government Employees Union (NSGEU) and non-union staff are covered by a pension plan established by the Province of Nova Scotia pursuant to the Public Service Superannuation Act.

The Regional School Board's teachers are covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act.

8. Trust funds (schedules C and D):

The following are trust fund balances:

	2004	2003
ARHS Prize	$ 1,869	$ 1,909
Biggs	21,216	21,313
Blaikie	1,460	1,936
Brine	1,205	1,200
Campbell	1,203	1,203
Chignecto Family	7,077	7,367
Christie	13,855	13,712
Class of Fifty	---	465
Cole	2,053	2,063
Coleman	481	231
Decker	6,007	6,011
Dempsey	226	146
Balance carried- forward	56,652	57,556

Balance carried- forward	56,652	57,556
Devenne	4,897	4,770
Dowe	711	712
Dunbar	3,005	3,002
Eaton	1,408	1,398
Edwards	4,692	3,841
Fields	1,724	1,725
Fife	---	37
Fulmer	25,122	25,053
Gosse	2,980	2,848
Harrison	5,090	5,099
Hewson	23,861	23,320
Hunter	44,031	46,181
Kirkpatrick	965	740
LaFarge	9,000	10,000
Loggie	14,078	14,038
MacInnes	2,000	2,000
MacKenzie	12,018	12,008
McBrien	4,995	5,261
MacIver	1,594	1,638
McIver	6,003	6,057
Milner	1,729	1,905
Parker	2,949	2,852
Parrsboro Prize	1,009	984
Puglsey	79,760	79,006
Red Cross	2,924	2,999
Roach	1,232	1,202
Smith	1,532	1,535
Sorge	5,477	5,472
Stay-in-School	13,973	13,980
Taylor	8,396	9,245
Thompson	13,005	12,999
Tingley	13,379	13,329
Tye	42,176	38,327
Wilkes	6,071	5,886
	$ 418,438	$ 417,005

9. **Commitments:**

The Board rents premises and equipment under operating leases with minimum annual lease payments as follows:

2005	$ 53,016
2006	51,990
2007	51,990
2008	51,990
2009	20,062

10. **Comparative Figures:**

Certian of the 2003 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2004.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenue
Year ended March 31, 2004

		2004 Budget		2004 Actual		2003 Actual (Restated)
Province of Nova Scotia:						
General formula	$	108,873,000	$	109,629,500	$	100,151,298
Special education		8,007,600		8,007,600		7,863,900
Textbook credit allocation		1,263,000		1,263,000		1,256,171
Recovery of retroactive salary increases		---		---		4,160,648
Special capital grants		---		505,300		454,800
French special projects		83,714		100,366		129,988
Service awards funding (note 4)		993,500		2,027,079		1,744,701
Information Economy Initiative		487,058		526,213		512,060
Special one time funding		500,000		---		---
Adult High grant		---		103,022		175,000
Early Identification Intervention Service		---		65,546		433,845
Capital revenue		---		49,583		8,333
Other		---		1,299,025		793,294
	$	120,207,872	$	123,576,234	$	117,684,038

		2004 Budget		2004 Actual		2003 Actual (Restated)
Government of Canada:						
Indian and Northern Affairs Canada	$	2,300,000	$	2,640,674	$	2,494,849
Secretary of State:						
Minority language		47,000		43,963		43,142
French special projects		209,285		270,816		213,152
Employment and Immigration Canada		20,000		42,475		183,195
Other		---		---		21,240
	$	2,576,285	$	2,997,928	$	2,955,578

		2004 Budget		2004 Actual		2003 Actual (Restated)
Appropriation from Councils:						
Municipality of Colchester	$	4,913,730	$	4,827,720	$	4,729,388
Municipality of Cumberland		2,771,114		2,538,708		2,646,114
Municipality of East Hants		2,566,640		2,566,644		2,475,168
Municipality of Pictou		3,612,582		3,318,169		3,504,900
Town of Amherst		1,146,643		1,146,648		1,123,836
Town of New Glasgow		1,282,422		1,282,417		1,219,956
Town of Oxford		222,373		222,372		177,228
Town of Parrsboro		138,969		138,972		136,294
Town of Pictou		358,772		358,776		350,928
Town of Springhill		368,350		368,352		368,280
Town of Stellarton		571,432		571,428		555,252
Town of Stewiacke		150,298		150,300		143,855
Town of Trenton		266,230		266,232		237,156
Town of Truro		2,008,209		2,008,200		1,925,568
Town of Westville		256,936		256,931		245,612
	$	20,634,700	$	20,021,869	$	19,839,535

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenue (continued)
Year ended March 31, 2004

	2004 Budget	2004 Actual	2003 Actual
Board operations:			
Cafeterias	$ 358,159	$ 388,111	$ 1,266,427
Investment interest	175,000	211,899	220,617
Adult education fees	105,000	103,022	102,851
Rentals	441,402	484,233	414,701
Summer School	31,000	29,717	40,983
International Student Program	757,303	1,102,506	855,715
Public Private Partnership	609,000	633,976	700,655
Other	245,932	184,137	389,400
	$ 2,722,796	$ 3,137,601	$ 3,991,349

Schedule B - Supplementary Details of Expenditures
Year ended March 31, 2004

	2004 Budget	2004 Actual	2003 Actual
Board governance:			
Member honorarium	$ 129,000	$ 125,400	$ 129,000
Secretarial wages	46,248	45,358	20,593
Benefits	14,829	15,149	12,010
Travel	25,800	22,924	22,552
Telecommunications	10,200	12,857	5,516
Supplies and materials	15,300	5,633	5,667
Professional development	42,500	33,031	37,200
Dues and fees	86,662	86,662	86,662
School board elections	—	14,106	—
	$ 370,539	$ 361,120	$ 319,200

Regional management:			
Salaries and wages	$ 2,394,505	$ 2,234,066	$ 2,074,410
Employee benefits	268,921	238,442	245,947
Travel	92,467	97,492	69,205
Professional fees	189,000	142,127	210,976
Consulting and contracted services	80,301	191,220	118,393
Facilities rental	23,832	—	7,944
Equipment	60,000	69,282	68,442
Telecommunications	102,500	71,137	81,634
Advertising	51,500	39,218	42,617
Supplies and materials	260,382	279,779	256,102
Professional development	81,700	49,801	47,340
Administrative services	147,338	126,293	116,450
	$ 3,752,446	$ 3,538,857	$ 3,339,460

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (Continued)
Year ended March 31, 2004

	2004 Budget	2004 Actual	2003 Actual
School management and support:			
Salaries and wages	$ 11,055,889	$ 11,218,055	$ 10,907,657
Employee benefits	876,059	872,822	835,212
Travel	122,469	92,938	119,593
Equipment	98,322	240,434	219,387
Telecommunications	107,200	65,909	66,992
Curriculum development	689,700	838,190	927,312
Supplies and materials	603,409	623,125	857,173
Professional development	716,147	764,837	700,227
	$ 14,269,195	$ 14,716,310	$ 14,633,553
Instruction and school services:			
Salaries and wages	$ 75,321,321	$ 74,095,571	$ 73,291,523
Employee benefits	4,238,577	4,403,829	4,202,630
Service awards (note 4)	993,000	961,079	852,906
Service award interest expense (note 4)	---	1,066,000	938,000
Travel	100,000	98,663	47,706
Equipment	3,275	261,825	626,323
Telecommunications	533,246	514,152	486,154
Textbook credit allocation	1,263,000	1,263,804	1,256,850
Curriculum development	89,845	88,059	54,672
Supplies and materials	1,772,388	1,990,067	1,932,464
Professional development	65,000	14,666	9,463
	$ 84,379,652	$ 84,757,715	$ 83,698,691
Student support:			
Salaries and wages	$ 13,297,258	$ 13,424,404	$ 13,114,550
Employee benefits	1,079,368	1,200,333	1,142,338
Travel	91,314	110,132	80,723
Equipment	---	---	5,323
Telecommunications	27,600	25,628	24,239
Supplies and materials	209,000	370,561	593,746
Professional development	---	12,933	15,085
	$ 14,704,540	$ 15,143,991	$ 14,976,004
Adult and community education:			
Salaries and wages	$ 662,140	$ 676,006	$ 595,300
Employee benefits	68,652	70,165	67,332
Travel	6,500	9,162	9,691
Facilities rental	2,500	490	25
Equipment	---	75,529	47,176
Telecommunications	11,500	15,944	16,598
Adverstising	25,000	21,532	21,932
Supplies and materials	43,000	47,724	60,947
Professional development	1,500	4,706	4,463
	$ 820,792	$ 921,258	$ 823,464

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (Continued)
Year ended March 31, 2004

	2004 Budget	2004 Actual	2003 Actual
Property services:			
Salaries and wages	$ 7,574,074	$ 7,766,317	$ 7,196,855
Employee benefits	1,334,986	1,311,400	1,357,433
Travel	34,550	24,768	22,467
Contracted services	366,257	487,778	418,977
Repairs and maintenance	1,767,851	2,325,094	1,683,783
Vehicles	---	123,276	95,239
Telecommunications	47,800	68,751	66,610
Supplies and materials	512,079	541,236	421,723
Utilities	5,745,135	5,032,192	5,250,283
Professional development	15,500	28,038	10,192
Insurance	671,409	574,311	447,606
	$ 18,069,641	$ 18,283,161	$ 16,971,168
Pupil transportaton:			
Salaries and wages	$ 4,505,570	$ 4,270,417	$ 3,978,681
Employee benefits	761,204	679,667	634,015
Travel	6,700	3,588	3,024
Equipment	15,000	41,476	44,799
Vehicle	1,419,000	1,235,683	1,122,030
Contract conveyance	2,235,000	2,085,187	1,945,026
Telecommunications	44,700	44,776	42,767
Supplies and materials	55,950	82,731	112,750
Utilities	59,000	52,868	76,379
Professional development	10,000	19,575	12,818
Insurance	292,654	251,928	195,103
	$ 9,404,778	$ 8,767,896	$ 8,167,392
Other programs:			
Salaries and wages	$ 339,842	$ 354,367	$ 663,976
Employee benefits	35,680	50,506	84,423
Travel	15,664	24,201	10,182
Homestays	310,500	357,100	302,015
Equipment	---	33,427	24,616
Contracted services	15,000	36,568	162,807
Telecommunications	2,000	63	472
Supplies and materials	274,656	150,194	144,989
Cafeteria food supplies	184,447	188,124	642,535
Dues and fees	2,281	---	1,680
Insurance	---	(50)	14,685
	$ 1,180,070	$ 1,194,500	$ 2,052,380

Schedule C - Trust Fund Balance Sheet
March 31, 2004

ASSETS

	2004	2003
Cash and investments	$ 419,438	$ 417,005
	$ 419,438	$ 417,005

LIABILITIES and EQUITY

	2004	2003
Due to operating	$ 1,000	$ —
Trust Funds (note 8)	418,438	417,005
	$ 419,438	$ 417,005

Schedule D - Statement of Continuity of Trust funds
Year Ended March 31, 2004

	2004	2003
Balance, beginning of year	$ 417,005	$ 399,507
Receipts:		
Principal	2,585	25,870
Interest earned	24,658	17,428
	27,243	43,298
Disbursements:		
Bursaries and scholarships	(25,810)	(25,800)
Balance, end of year	$ 418,438	$ 417,005

AUDITORS' REPORT

To the Board of Directors of
Colchester East Hants Health Authority

We have audited the statement of financial position of Colchester East Hants Health Authority as at March 31, 2004 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Colchester East Hants Health Authority as at March 31, 2004, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Truro, Nova Scotia
June 4, 2004

COLCHESTER EAST HANTS HEALTH AUTHORITY

Statement of Financial Position
March 31, 2004

ASSETS

	Operating Fund	Capital Fund	Total 2004	Total 2003
Current				
Cash and cash equivalents (Note 4)	$ 3,443,332	$ 54,137	$ 3,497,469	$ 2,809,306
Receivables (Note 5)	1,943,585	2,503,994	4,447,579	3,229,455
Due from Capital Fund	956,855	---	956,855	74,865
Inventories	337,038	---	337,038	290,652
Prepaids	169,813	---	169,813	166,146
	6,850,623	2,558,131	9,408,754	6,570,424
Other receivables (Note 6)	3,857,025	---	3,857,025	3,098,045
Capital assets (Note 7)	---	16,431,772	16,431,772	15,813,163
	$ 10,707,648	$ 18,989,903	$ 29,697,551	$ 25,481,632

LIABILITIES

	Operating Fund	Capital Fund	Total 2004	Total 2003
Current				
Payables and accruals (Note 8)	$ 5,986,944	$ 1,341,949	$ 7,328,893	$ 5,627,237
Due to Operating Fund	---	956,855	956,855	74,865
Deferred revenue	2,818,917	254,499	3,073,416	2,047,293
Current portion of obligation under capital lease	---	19,048	19,048	30,784
	8,805,861	2,572,351	11,378,212	7,780,176
Employee benefits (Note 9)	2,664,856	---	2,664,856	1,905,876
Obligation under capital lease (Note 10)	---	---	---	19,048
	11,470,717	2,572,351	14,043,068	9,705,100

FUND BALANCES (Page 117)

	Operating Fund	Capital Fund	Total 2004	Total 2003
Restricted (Note 11)	---	19,048	19,048	49,829
Unrestricted surplus (deficit)	(763,069)	---	(763,069)	---
Unrestricted - investment in capital assets	---	16,398,504	16,398,504	15,726,703
	(763,069)	16,417,552	15,654,483	15,776,532
	$ 10,707,648	$ 18,989,903	$ 29,697,551	$ 25,481,632

Commitments (Note 13)

See accompanying notes to the financial statements.

COLCHESTER EAST HANTS HEALTH AUTHORITY

Statement of Operations - Operating Fund
Year Ended March 31, 2004

	2004	2003
Revenues		
Nova Scotia Department of Health	$ 41,610,988	$ 36,098,341
Charges to M.S.I.	3,281,996	3,199,873
Department of Veterans Affairs	467,147	579,502
In-patients	896,858	855,563
Out-patients	324,354	320,211
Rental income	272,175	271,989
Canadian Breast Cancer Foundation	87,902	66,309
Early identification and intervention program	---	143,847
Investment income	78,334	65,770
Food services	135,632	129,011
Laboratory	69,991	46,237
Other income	16,942	18,297
	47,242,319	41,794,950
Expenses		
In-patient services	16,681,629	15,032,863
Ambulatory services	10,167,735	9,291,254
Diagnostic and therapeutic services	7,507,782	6,976,306
Support services	9,251,045	8,305,637
Community health board initiatives	56,562	112,648
Community services	2,987,956	2,331,924
Early departure incentives	---	123,957
Rental expenses	164,887	165,898
Education and library	87,704	103,350
Increase in vacation pay accrual	91,108	39,864
Employee benefits	1,008,980	264,300
	48,005,388	42,748,001
Operating deficit before deficit funding	(763,069)	(953,051)
Operating deficit funding receivable from the Nova Scotia Department of Health	---	953,051
Excess of expenses over revenues	$ (763,069)	$ ---

See accompanying notes to the financial statements.

COLCHESTER EAST HANTS HEALTH AUTHORITY

Statement of Changes in Fund Balances
Year Ended March 31, 2004

	Operating Fund	Capital Fund	Total 2004	Total 2003
Restricted				
Balance, beginning of year	$ ---	$ 49,829	$ 49,829	$ 78,393
Transfer to unrestricted)	---	(30,781)	(30,781)	(28,564)
Balance, end of year	$ ---	$ 19,048	$ 19,048	$ 49,829
Unrestricted				
Balance, beginning of year	$ ---	$ 15,726,703	$ 15,726,703	$ 15,461,821
Transfer from restricted	---	30,781	30,781	28,564
Excess of revenues over expenses	(763,069)	1,967	(761,102)	2,342
Capital asset funding				
Department of Health	---	1,413,192	1,413,192	370,326
Department of Health - Federally funded medical equipment	---	500,000	500,000	850,000
Foundations	---	509,087	509,087	729,873
Auxiliaries	---	128,881	128,881	126,302
Amortization	---	(1,909,414)	(1,909,414)	(1,837,614)
Capital debt charges	---	(2,693)	(2,693)	(4,911)
Balance, end of year	$ (763,069)	$ 16,398,504	$ 15,635,435	$ 15,726,703

See accompanying notes to the financial statements.

COLCHESTER EAST HANTS HEALTH AUTHORITY

Statement of Cash Flows
Year Ended March 31, 2004

	2004	2003
Increase (decrease) in cash and cash equivalents		
Operations		
Excess of expenses over revenues - Operating Fund $	(763,069)$	---
Excess of revenues over expenses - Capital Fund	1,967	2,342
	(761,102)	2,342
Change in non-cash working capital		
Receivables	(1,218,124)	(632,382)
Inventories	(46,386)	15,408
Prepaids	(3,667)	(110,998)
Payables and accruals	1,701,656	340,291
Deferred revenue	1,026,123	275,655
	698,500	(109,684)
Financing and investing		
Capital asset funding	2,551,160	2,076,501
Capital debt charges	(2,693)	(4,911)
Purchase of capital assets	(2,528,023)	(2,078,682)
Repayment of capital lease	(30,781)	(28,564)
	(10,337)	(35,656)
Net increase (decrease) in cash and cash equivalents	688,163	(145,340)
Cash and cash equivalents, beginning of year	2,809,306	2,954,646
Cash and cash equivalents, end of year $	3,497,469 $	2,809,306

See accompanying notes to the financial statements.

COLCHESTER EAST HANTS HEALTH AUTHORITY

Notes to the Financial Statements
March 31, 2004

1. Nature of operations

Colchester East Hants Health Authority operates several health care facilities and programs including Colchester Regional Hospital, Lillian Fraser Memorial Hospital, public health, addictions and related health services.

2. Health Authorities Act

Colchester East Hants Health Authority was formed by the Health Authorities Act of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Colchester East Hants Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and health services referred to above.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Use of estimates
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

Fund accounting
Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the authority's capital assets.

Revenue recognition
Colchester East Hants Health Authority follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital contributions are treated as additions to investment in capital assets in the period in which the asset is acquired.

Inventories
Inventories are recorded at the lower of cost or replacement value.

Capital assets
Assets purchased during the year were recorded in the Capital Fund at cost. Amortization is provided on a straight line basis as follows:

Buildings	50 years
Land improvements	20 years
Equipment	5- 20 years
Equipment under capital lease	5- 20 years

Amortization on construction in progress is not recorded until the projects are completed.

Compensation accruals

Colchester East Hants Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime, call back and statutory holiday.

Employee benefit plans

The authority accrues its employee benefit plan obligations and the related costs, net of plan assets. The authority has adopted the following policies:

- The cost of retirement benefits (allowances) earned by employees is actuarily determined using the projected benefit method prorated on service.
- Defined contribution plan accounting is applied to a multi-employer defined benefit pension plan because the authority does not have sufficient information to apply defined benefit plan accounting.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Financial instruments

The health authority's financial instruments consist of cash, investments, receivables, payable and accruals, deferred revenue and obligations under capital leases. Unless otherwise noted, it is management's opinion that the health authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The carrying value of these financial instruments approximate their fair value unless otherwise noted.

4. Restricted cash

The health authority has included in its cash and cash equivalents restricted cash totalling $38,313 (2003 - $43,260) held in trust on behalf of employees' deferred salary arrangements. An offset liability is included in payables and accruals and will be paid out in accordance with the terms and conditions of the arrangements.

5. Receivables

	Operating Fund	Capital Fund	Total 2004	Total 2003
Charges to M.S.I.	$ 183,366	$ ---	$ 183,366	$ 273,240
Foundations and auxilaries	40,517	552,066	592,583	496,274
Harmonized sales tax	297,981	217,198	515,179	304,692
Patients	278,724	---	278,724	225,290
Veterans Affairs Canada - final settlement	52,624	---	52,624	135,622
Other	246,284	---	246,284	294,344
	1,099,496	769,264	1,868,760	1,729,462
Nova Scotia Department of Health				
Construction and equipment	---	1,734,730	1,734,730	174,372
Other	844,089	---	844,089	1,325,621
	844,089	1,734,730	2,578,819	1,499,993
	$ 1,943,585	$ 2,503,994	$ 4,447,579	$ 3,229,455

The resolution of final V.A.C. settlement estimate is dependent upon approval of Veterans Affairs Canada. An adjustment, if any, on the resolution of this amount will be accounted for as an adjustment to fund balances in the period in which they occur.

6. Other receivables

	Operating Fund	Total 2004	Total 2003
Nova Scotia Department of Health			
Vacation pay	$ 1,192,169	$ 1,192,169	$ 1,192,169
Employees benefits	2,664,856	2,664,856	1,905,876
	$ 3,857,025	$ 3,857,025	$ 3,098,045

7. Capital Assets

	Cost	Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
Land	$ 155,349	$ ---	$ 155,349	$ 155,349
Land improvements	497,444	284,547	212,897	237,771
Buildings	17,677,388	6,621,810	11,055,578	10,354,460
Equipment	13,371,724	8,690,141	4,681,583	4,839,002
Equipment under capital lease	894,012	780,675	113,337	188,675
Construction in progress	213,028	---	213,028	37,906
	$ 32,808,945	$ 16,377,173	$ 16,431,772	$ 15,813,163

8. Payables and accruals

	Operating Fund	Capital Fund	Total 2004	Total 2003
Trade	$ 4,227,542	$ 1,341,949	$ 5,569,491	$ 3,958,943
Vacation pay	1,759,402	---	1,759,402	1,668,294
	$ 5,986,944	$ 1,341,949	$ 7,328,893	$ 5,627,237

9. Employee benefits

The health authority has the following benefit plans:

(i) a multi-employer defined benefit plan, as administered by the Nova Scotia Association of Health Organizations, providing pension benefits to most of its employees. The most recent actuarial valuation was conducted as at December 31, 2000 and indicates a funding surplus. The health authority's pension expense for the year amounted to $1,487,769 (2003 - $1,241,305).

(ii) a retirement benefit plan providing retiring allowances to its employees. The most recent actuarial valuation was conducted at March 31, 2004. The Province of Nova Scotia has assumed responsibility for funding this liability and a corresponding receivable has been recorded.

Information about the health authority's retirement benefit plan per the actuarial report is as follows:

	2004	2003
Expense	$ 1,008,980	$ 264,300
Benefits paid	$ (250,000)	$ (146,100)
Accrued benefit liability recognized	$ 2,664,856	$ 1,905,876
Funding status - plan deficit	$ (3,131,300)	$ (2,148,900)
Unamortized net actuarial loss	466,444	243,024
	$ (2,664,856)	$ (1,905,876)

The following acturial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2004.

Discount rate	6.17%
Rate of compensation increase	3.65% - 6.15%
Termination rates	1.20% - 20.0%

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date, which is their 65th birthday.

10. Obligation under capital lease

The authority leases equipment under a capital lease from Toshiba of Canada Limited.

Future minimum lease payments are as follows:

	2004	2003
2004	$ —	$ 33,475
2005	19,526	19,526
	19,526	53,001
Less: amount representing interest on capital lease at 7.25%	478	3,172
	19,048	49,829
Less: current portion	19,048	30,781
	$ ---	$ 19,048

As security, the authority has pledged specific equipment.

11. Restricted fund balance

The Nova Scotia Department of Health provided funding to establish a reserve for the repayment of the capital lease obligation. This reserve is restricted and will be used solely for the repayment of the obligation referred to in Note 10. The balance of the reserve was $19,048 as of March 31, 2004.

12. Credit facilities

The health authority has a financing agreement with a financial institution which provides an available operating line of credit totalling $1,000,000, all of which is unused at March 31, 2004.

13. Commitments

Colchester East Hants Health Authority is committed to the following operating and occupancy lease payments in each of the next three fiscal years ended March 31:

2005	$	210,906
2006	$	105,503
2007	$	17,140

Colchester East Hants Health Authority has provided a offer to lease space for a period of seven years with an option to renew for an additional five (5) years, with annual rental payments of $244,116, estimated to commence in 2005.

14. Related entities

The health authority has responsibility for the operation of certain hospitals and health care centres as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care centres. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The health authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations may accrue to the benefit of the authority. The amount and nature of these assets at March 31, 2004 are available from the individual financial statements of the related entities.

15. Comparative figures

Certain of the 2003 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2004.

Grant Thornton LLP
Chartered Accountants
Management Consultants

Grant Thornton

RAPPORT DES VÉRIFICATEURS

Au président et aux membres du
Conseil scolaire acadien provincial

Nous avons vérifié le bilan du **Conseil scolaire acadien provincial** en date du **31 mars 2004** et les états des résultats et d'équité. Ces états financiers ont été prépares afin de conformer avec le « *Draft School Board Financial Handbook* » prescrit par les « *Ministerial Regulations of the Education Act of Nova Scotia* ». Ces états financiers sont la responsabilité de l'administration du Conseil scolaire. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir un degré raisonnable de certitude quant à l'absence d'inexactitudes importantes dans les états financiers. La vérification comprend le contrôle par sondages des informations probantes à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

À notre avis, ces états financiers présentent fidèlement, à tous égards importants, la situation financière du conseil au 31 mars 2004 ainsi que les résultats de son exploitation et l'évolution de sa situation financière pour l'exercice terminé à cette date selon les principes comptables généralement reconnus pour les conseils scolaires de la Nouvelle-Écosse, décrit en note 1 des états financiers.

Ces états financiers, qui n'ont pas été établis, et qui n'avaient pas à être établis, selon les principes comptables généralement reconnus du Canada, sont fournis uniquement à titre d'information et pour être utilisés par le Conseil scolaire acadien provincial et le Ministère de l'éducation de la Nouvelle Écosse à ces fins, selon les principes comptables généralement reconnus pour les conseils scolaires de la Nouvelle-Écosse. Ces états financiers ne sont pas destinés àêtre utilisés, et ne doivent pas l'être, par des personnes autres que les utilisateurs déterminés, ni à aucune autre fin que la ou les fins auxquelles ils ont été établis.

Yarmouth, Nouvelle-Écosse
le 20 mai 2004

Grant Thornton
Comptables agrées

Conseil scolaire acadien provincial

Bilan consolidé

Au 31 mars	2004	2003
Actif		
Actif à court terme		
Encaisse	80 925 $	- $
Sommes à recevoir		
Province de la Nouvelle-Écosse	730 775	1 196 485
Gouvernement du Canada	659 354	989 236
Gouvernement du Canada - TVH	156 431	149 547
Autres	317 409	243 832
Frais payés d'avance	19 608	187 930
	1 964 502	2 767 030
Encaisse et sommes à recevoir restreintes	1 568	1 529
Actif à long terme		
Province de la Nouvelle-Écosse – régime de retraite	2 143 762	2 074 629
Immobilisations, au coût		
Terrains, édifices et améliorations	23 152 615	23 152 615
Équipement et fournitures	3 857 518	3 857 518
Autobus scolaires et autres véhicules	2 057 421	2 057 421
	29 067 554	29 067 554
	33 177 386 $	33 910 742$
Passif		
Passif à court terme		
Chèques émis dépassant les fonds en dépôt	- $	127 231 $
Fournisseurs et sommes à payer		
Fournisseurs	1 698 878	1 787 660
Salaires	222 871	1 018 989
Autres	444 853	110 737
Revenus reportés	20 134	84 848
	2 386 736	3 129 465
Passif à long terme		
Engagements du régime de retraite	2 143 762	2 074 629
Équité		
Réserves	1 568	1 529
Déficit	(422 234)	(362 435)
Équité en immobilisations	29 067 554	29 067 554
	28 646 888	28 706 648
	33 177 386 $	33 910 742$

Ratifié au nom du Conseil scolaire

________________________ président ________________________ membre du Conseil

Voir les notes explicatives qui accompagnent ces états financiers.

Conseil scolaire acadien provincial

Bilan - fonds d'opération

Au 31 mars

	2004	2003
Actif		
Actif à court terme		
Encaisse	**80 925 $**	- $
Sommes à recevoir		
Province de la Nouvelle-Écosse	**730 775**	1 196 485
Gouvernement du Canada	**659 354**	989 236
Gouvernement du Canada - TVH	**156 431**	149 547
Autres	**317 409**	243 832
Frais payés d'avance	**19 608**	187 930
	1 964 502	2 767 030
Actif à long terme		
Province de la Nouvelle-Écosse – régime de retraite	**2 143 762**	2 074 629
	4 108 264 $	4 841 659 $

	2004	2003
Passif		
Passif à court terme		
Chèques émis dépassant les fonds en dépôt	- $	127 231 $
Fournisseurs et sommes à payer		
Fournisseurs	**1 698 878**	1 787 660
Salaires	**222 871**	1 018 989
Autres	**444 853**	110 737
Revenus reportés	**20 134**	84 848
	2 386 736	3 129 465
Passif à long terme		
Engagements du régime de retraite	**2 143 762**	2 074 629
Équité		
Déficit	**(422 234)**	(362 435)
	4 108 264 $	4 841 659$

Ratifié au nom du Conseil scolaire

______________________ président ______________________ membre du Conseil

Voir les notes explicatives qui accompagnent ces états financiers.

Conseil scolaire acadien provincial

État des résultats - fonds d'opération

Exercice clos le 31 mars

	2004		2003
	Budget	**Actuel**	**Actuel**
Revenus			
Province de la Nouvelle-Écosse	**29 463 618 $**	**29 747 249 $**	29 431 828 $
Gouvernement du Canada	**1 223 501**	**1 259 018**	918 426
Allocations des conseils municipaux	-	**5 000**	-
Autres revenus	**223 688**	**225 031**	249 730
Projet – élaboration de programmes	-	**158 863**	-
	30 910 807	**31 395 161**	30 599 984
Dépenses			
Gouvernance du conseil scolaire	**410 942**	**368 750**	361 703
Administration du conseil scolaire	**1 681 683**	**1 524 208**	1 583 606
Administration scolaire et soutien	**2 509 602**	**2 540 148**	2 626 819
Instruction et services scolaires	**16 218 950**	**16 574 699**	16 003 522
Services aux élèves	**2 850 163**	**2 818 721**	2 559 096
Service d'entretien	**4 032 226**	**4 405 129**	3 980 274
Transport scolaire	**2 846 389**	**2 959 906**	2 797 848
Autres programmes	**94 520**	**104 536**	10 171
Projet – élaboration de programmes	-	**158 863**	-
Mauvaises créances	-	-	100 385
Transfert à l'année précédente	**266 332**	-	938 995
	30 910 807	**31 454 960**	30 962 419
Excédent des dépenses sur les revenus		**(59 799) $**	(362 435)$

État de la continuité du déficit

Déficit au début de l'exercice	**(362 435) $**	(938 985) $
Transfert des opérations courantes	-	938 985
		-
Excédent des dépenses sur les revenus	**(59 799)**	(362 435)
Déficit, à la fin de l'exercice	**(422 234) $**	(362 435)$

Voir les notes explicatives qui accompagnent ces états financiers.

Conseil scolaire acadien provincial
État de l'évolution de la situation financière

Exercice clos le 31 mars	2004	2003
Rentrées (sorties) nettes liées aux opérations d'exploitation		
Excédent des dépenses sur les revenus	**(59 799) $**	(362 435) $
Ajustements		
Baisse aux sommes à recevoir	**715 131**	1 488 356
Baisse (augmentation) aux frais payés à l'avance	**168 322**	(175 800)
Augmentation aux sommes à payer - fournisseurs	**245 334**	381 045
(Baisse) augmentation aux sommes à payer - salaires	**(796 118)**	725 552
Baisse aux revenus reportés	**(64 714)**	(98 998)
Augmentation - déficit/surplus	**-**	938 985
	208 156	2 896 705
Augmentation nette en liquidité	**208 156**	2 896 705
Liquidité au début de l'exercice	**(127 231)**	(3 023 936)
Liquidité à la fin de l'exercice	**80 925 $**	(127 231)$

Voir les notes explicatives qui accompagnent ces états financiers.

Conseil scolaire acadien provincial

Bilan - fonds de capital

Au 31 mars	2004	2003
Actif		
Immobilisations, au coût		
Terrains, édifices et améliorations (note 2)	**23 152 615 $**	23 152 615 $
Équipement et fournitures	**3 857 518**	3 857 518
Autobus scolaires et autres véhicules	**2 057 421**	2 057 421
	29 067 554 $	29 067 554 $
Équité		
Équité en immobilisations	**29 067 554 $**	29 067 554 $

Ratifié au nom du Conseil scolaire:

____________________ président ____________________ membre du Conseil

Voir les notes explicatives qui accompagnent ces états financiers.

État de la continuité de l'équité en immobilisations

Équité, au début de l'exercice	**29 067 554 $**	28 966 231 $
Achats d'immobilisations		
Autobus scolaires et autres véhicules	-	243 036
Mise hors service d'immobilisations		
Autobus scolaires	-	(141 713)
Équité, à la fin de l'exercice	**29 067 554 $**	29 067 554 $

Voir les notes explicatives qui accompagnent ces états financiers.

Conseil scolaire acadien provincial

Bilan - fonds des réserves

Au 31 mars	**2004**	2003
Actif		
Encaisse	**1 568 $**	1 529 $
Équité		
Réserve pour fonds de bourse	**1 568 $**	1 529 $

Ratifié au nom du Conseil scolaire:

____________________ président ____________________ membre du Conseil

Voir les notes explicatives qui accompagnent ces états financiers.

État de la continuité du fonds des réserves

Équité, au début de l'exercice	**1 529 $**	1 529$
Transfert aux opérations	-	-
Intérêts et versements	**39**	-
Équité, à la fin de l'exercice	**1 568 $**	1 529$

Voir les notes explicatives qui accompagnent ces états financiers.

Conseil scolaire acadien provincial
Détails supplémentaires - revenus
Exercice clos le 31 mars 2004

	2004	
Revenus	**Budget**	**Actuel**
Province de la Nouvelle-Écosse		
Fonctionnement	**26 509 800 $**	26 545 635 $
Restreints	**1 608 300**	1 608 300
Capital	**300 000**	521 414
Maintien	**639 100**	639 100
Autres	**406 418**	432 800
	29 463 618 $	29 747 249 $
Gouvernement du Canada		
Paiement formulaire	**148 790**	148 790
Projets spéciaux, mesures spéciales, autres	**1 074 711**	1 110 228
	1 223 501 $	1 259 018 $
Allocations des conseils municipaux		
Supplémentaires	**- $**	5 000 $
Autres revenus		
Générés par le Conseil	**192 557**	98 915
Intérêts	**10 000**	26 103
Remboursement – non gouvernemental	-	66 717
Vente de véhicules/matériel	-	3 328
Dons	-	935
Octroi – non gouvernemental	**1 801**	6 463
Autres services gouvernementaux	**19 330**	22 570
	223 688 $	225 031 $
Projet – Élaboration – programmes	**- $**	158 863 $

Conseil scolaire acadien provincial
Détails supplémentaires - dépenses
Exercice clos le 31 mars 2004

	2004	
	Budget	**Actuel**
Dépenses		
Gouvernance du Conseil scolaire		
Membres du Conseil	**340 866 $**	307 505 $
Secrétariat du Conseil	**56 076**	47 812
NSSBA et autres	**14 000**	13 433
	410 942 $	368 750 $
Administration du Conseil scolaire		
Administration	**970 712**	873 080
Service des finances	**300 004**	284 193
Service de ressources humaines	**220 566**	208 443
Communications	**98 716**	68 424
Informatique	**91 685**	90 068
	1 681 683 $	1 524 208 $
Administration scolaire et soutien		
Administration	**2 249 915**	2 212 549
Programmation et curriculum	**198 662**	241 156
Informatique	**61 025**	86 443
	2 509 602 $	2 540 148 $
Instruction et services scolaires		
Instruction	**15 457 122**	15 771 539
Service d'orientation	**235 992**	236 571
Bibliothèques	**229 272**	216 576
Technologie	**296 564**	350 013
	16 218 950 $	16 574 699 $
Services aux élèves		
Administration	**123 596**	90 546
Instruction	**1 349 681**	1 207 288
Programmation et curriculum	**1 376 886**	1 520 887
	2 850 163 $	2 818 721 $
Service d'entretien		
Administration	**209 401**	233 100
Conciergerie	**1 191 107**	1 308 130
Entretien	**2 451 009**	2 664 066
Terrains	**180 709**	199 833
	4 032 226$	4 405 129 $
Transport scolaire		
Administration	**79 267**	77 204
Transport (conseil)	**972 695**	968 610
Entretien (conseil)	**318 342**	319 666
Transport (sous - traitance)	**1 472 119**	1 592 335
Entretien des arrêts d'autobus	**3 966**	2 091
	2 846 389$	2 959 906 $

1. Conventions comptables

Ces états financiers ont été préparés selon les conventions comptables prescrites dans le nouveau *"Draft School Board Financial Handbook"* de la province de la Nouvelle-Écosse. Basé sur les principes comptables généralement reconnus, les dépenses sont inscrites d'après la comptabilité d'exercice avec les exceptions suivantes :

i) Les salaires du personnel enseignant sont comptabilisés comme dépense salariale lorsqu'elles sont versées à l'employé(e).

ii) La paie de vacance est comptabilisée comme une dépense salariale lorsqu'elle est versée a l'employé(e).

Pendant la période de transition le Conseil n'inscrit pas d'amortissement sur ses biens immobiliers. Suite à cette période de transition le Conseil apportera des changements aux valeurs de ses actifs conformément au *"Draft School Board Financial Handbook"* de la province de la Nouvelle-Écosse. Il est à noter que depuis 2003, seuls les immobilisations que rencontrent les seuils ci-dessous sont comptabilisées comme des additions :

Édifices	250 000$
Améliorations locatives	250 000$
Ordinateurs	25 000$
Automobiles	15 000$
Équipement	50 000$

2. Terrains, édifices et améliorations

D'après l'entente du 1 janvier 1982, tous les terrains et tous les édifices scolaires dont disposaient les municipalités le 31 décembre 1981 demeurent la propriété des municipalités concernées, mais sont administrés par les conseils scolaires tant et aussi longtemps qu'ils les utiliseront à leurs fins. Ensuite, leur contrôle passera de nouveau à la municipalité concernée.

En vertu des améliorations faites aux édifices scolaires, les conseils scolaires se sont portés acquéreurs de biens immobiliers auxquels ils n'ont aucun droit. D'après la Loi scolaire, dès qu'une municipalité vend un édifice qui lui est remis par le district scolaire, en vertu des circonstances énoncées ci-avant, une portion du produit des ventes est due au Conseil scolaire. Dans le cas de recouvrement de sommes provenant des assurances, suite à la perte d'un édifice, une portion de cet argent proportionnelle aux améliorations serait également payable au Conseil scolaire.

En vertu de l'entente créant les conseils scolaires en date du 9 janvier 1996, l'actif en biens immobiliers des anciens districts scolaires, ou du conseil d'école, est transféré aux conseils scolaires et respecte l'entente de 1982.

3. Plan de pension

Les enseignants participent à un plan de pension établi par la Province de la Nouvelle-Écosse en vertu de la *Teachers' Pension Act*. Les autres employés participent à un plan de pension établi et géré par la *Nova Scotia School Board Association.*

4. Chiffres comparatifs

Certains chiffres dans la colonne comparative 2003 ont été reclassés afin d'accommoder la présentation pour l'année courante.

AUDITOR'S REPORT

To the Board of Directors of
Cumberland Health Authority

I have audited the balance sheet of Cumberland Health Authority as at March 31, 2004 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Cumberland Health Authority as at March 31, 2004 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

S. J. McIsaac
Chartered Accountant

Amherst, Nova Scotia
June 15, 2004

CUMBERLAND HEALTH AUTHORITY

Statement of Financial Position
March 31, 2004

ASSETS

	Operating Fund	Capital Fund	Endowment Fund	2004 Total	2003 Total
Current					
Cash and cash equivalents	$ 2,538,918	$ 18,564	$ 58,262	$ 2,615,744	$ 4,198,555
Receivables (Note 4).........	2,125,045	874,953	---	2,999,998	2,742,757
Due from Capital Fund	16,660	---	---	16,660	---
Due from Operating Fund	---	---	---	---	2,490,117
Inventories	256,682	---	---	256,682	264,136
Prepaids	213,883	---	---	213,883	73,740
	5,151,188	893,517	58,262	6,102,967	9,769,305
Other Receivables (Note 5)	3,389,509	---	---	3,389,509	2,808,522
Deferred Charges	238,818	---	---	238,818	---
Land, buildings and equipment (Note 6) .	---	61,780,027	---	61,780,027	61,671,224
	$ 8,779,515	$ 62,673,544	$ 58,262	$ 71,511,321	$ 74,249,051

LIABILITIES

	Operating Fund	Capital Fund	Endowment Fund	2004 Total	2003 Total
Current					
Payables and accruals (Note 7) .	$ 4,242,428	$ 486,218	$ ---	$ 4,728,646	$ 4,257,607
Due to Capital Fund............	---	---	---	---	2,490,117
Due to Operating Fund............	---	16,660	---	16,660	---
Deferred revenue...	2,068,739	1,514,213	---	3,582,952	4,498,889
Current portion of advance from province (Note 10).........	---	160,560	---	160,560	80,280
Current portion of obligation under capital lease	---	2,390	---	2,390	3,584
	6,311,167	2,180,041	---	8,491,208	11,330,477
Long term debt					
Employee benefits (Note 8).........	2,526,638	---	---	2,526,638	1,947,208
Advance from province (Note 10)	---	240,840	---	240,840	321,120
Obligation under capital lease	---	---	---	---	2,669
	8,837,805	2,420,881	---	11,258,686	13,601,474

Commitments (Note 13)

See accompanying notes to the financial statements.

CUMBERLAND HEALTH AUTHORITY

Statement of Financial Position (Continued)
March 31, 2004

FUND BALANCES (Page 138)

Restricted (Note 11). .	—	2,390	58,262	60,652	63,141
Unrestricted.	(58,290)	60,250,273	—	60,191,983	60,584,436
	(58,290)	60,252,663	58,262	60,252,635	60,647,577
	$ 8,779,515	$ 62,673,544	$ 58,262	$ 71,511,321	$ 74,249,051

Statement of Operations - Operating fund
Year Ended March 31, 2004

	2004	2003
Revenues		
Nova Scotia Department of Health . . . . $	33,566,303 $	28,032,459
Charges to M.S.I..	1,646,170	1,386,142
In-patients	318,373	247,121
Out-patients.	826,353	956,309
Long-term care.	1,236,167	847,663
Cafeteria income	123,729	124,420
Investment income.	54,460	6,949
Mental Health joint projects	10,649	203,994
Other income	110,955	87,207
	37,893,159	31,892,264
Expenses		
In-patient services.	12,018,362	10,242,732
Ambulatory services.	6,550,837	6,079,510
Diagnostic and therapeutic services.	5,475,707	4,994,736
Support services.	10,782,039	9,470,013
Community Services.	2,343,260	1,843,955
Increase in vacation pay accrual.	84,914	108,893
Employee future benefits (Note 8)	696,330	226,761
	37,951,449	32,966,600
Excess of expenses over revenues	(58,290)	(1,074,336)
Nova Scotia Department of Health Final Settlement	---	1,074,336
Excess of expenses over revenues . . . . $	(58,290)$	---

See accompanying notes to the financial statements.

CUMBERLAND HEALTH AUTHORITY

Statement of Changes in Fund Balances
Year Ended March 31, 2004

	Operating Fund	Capital Fund	Endowment Fund	2004 Total	2003 Total
Restricted					
Balance, beginning of period........$	--- $	6,252 $	56,889 $	63,141 $	65,388
Transfer to unrestricted......	---	(3,862)	---	(3,862)	(3,584)
Excess of revenues over expenses....	---	---	1,373	1,373	1,337
Balance, end of period..........$	--- $	2,390 $	58,262 $	60,652 $	63,141
Unrestricted					
Balance, beginning of period........$	--- $	60,584,436 $	--- $	60,584,436 $	51,460,045
Transfer from unrestricted......	---	3,862	---	3,862	3,584
Capital asset funding					
Department of Health........	---	1,896,966	---	1,896,966	12,400,335
Foundations......	---	472,278	---	472,278	9,188
Auxiliaries.......	---	37,141	---	37,141	64,375
Parking.........	---	122,699	---	122,699	---
Other...........	---	141,692	---	141,692	132,513
Amortization......	---	(3,008,463)	---	(3,008,463)	(3,484,988)
Capital debt charges.	---	(338)	---	(338)	(616)
Excess of expenses over revenues........	(58,290)	---	---	(58,290)	---
Balance, end of period..........$	(58,290) $	60,250,273 $	--- $	60,191,983 $	60,584,436

See accompanying notes to the financial statements.

CUMBERLAND HEALTH AUTHORITY

Statement of Cash Flows
Year Ended March 31, 2004

	2004	2003
Increase (decrease) in cash and cash equivalents		
Operations		
Excess of revenues over expenses - Operating Fund	$ (58,290)	$ ---
Excess of revenues over expenses - Endowment Fund	1,373	1,337
	(56,917)	1,337
Change in non-cash working capital		
Receivables	(838,228)	5,542,565
Inventories	7,454	(67,413)
Prepaid expenses	(140,143)	70,873
Deferred charges	(238,818)	---
Payables and accruals	1,050,469	(3,303,562)
Deferred revenue	(915,937)	3,118,426
	(1,132,120)	5,362,226
Financing and investing		
Capital asset funding	2,670,775	12,606,411
Interfund transfer - capital asset funding	3,862	3,584
Purchase of capital assets	(3,117,266)	(13,592,445)
Repayment of long term debt	(3,862)	(3,584)
Long term debt	---	401,400
Capital debt charges	(338)	(616)
	(446,829)	(585,250)
Decrease in restricted funds	(3,862)	(3,584)
	(450,691)	(588,834)
Net (decrease) increase in cash and cash equivalents	(1,582,811)	4,773,392
Cash and cash equivalents, beginning of period	4,198,555	(574,837)
Cash and cash equivalents, end of period	$ 2,615,744	$ 4,198,555

See accompanying notes to the financial statements.

Notes to the Financial Statements
March 31, 2004

1. Nature of operations

Cumberland Health Authority operates several health care facilities including South Cumberland Community Care Centre, North Cumberland Memorial Hospital, Cumberland Regional Health Care Centre, All Saints Springhill Hospital, Bayview Memorial Hospital and related community services including Mental Health, Public Health and Addiction Services.

2. Health Authorities Act

Cumberland Health Authority was formed by the Health Authorities Act of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Cumberland Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and other health care services referred to above.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

Fund accounting

Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the Authority's capital assets. Endowment contributions are reported in the Endowment Fund.

Revenue recognition

Cumberland Health Authority follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital contributions are treated as additions to investment in capital assets in the period in which the asset is acquired.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which it is earned.

Inventories

Inventories are recorded at the lower of cost or replacement value. Cost is determined by using a weighted average for supplies and specific indentification for pharmaceuticals.

Deferred Charges

The cost of obtaining a maintenance contract for equipment is deferred and amortized on a straight-line basis over the four year life of the contract. Amortization of deferred charges expensed for the year ended March 31, 2004 amounted to $31,507 (2003 - Nil).

Land, buildings and equipment

Assets purchased during the period were recorded in the Capital Fund at cost. Amortization is charged to the capital fund balance and is provided on a straight line basis at the following rates:

Buildings	2%
Land improvements	5%
Equipment	5 - 20%
Equipment under capital lease	5 - 20%

Amortization on construction in progress is not recorded until the projects are completed.

Compensation accruals

Cumberland Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and call back.

Employee benefit plans

The Cumberland Health Authority follows the method of accounting for employee future benefits reqiured by The Canadian Institute of Chartered Accountants' recommendations in Section 3461, Employee Future Benefits. The Province of Nova Scotia is funding the liability and additional expenses incurred by the Authority in association with adoption of Section 3461. The main components of this accounting policy are as follows:

- Costs for employee future benefits other than pensions are accrued over the periods in which the employees render services in return for these benefits.
- A liability for future benefits of $2,526,638 (Note 8) has been included in the financial statements in the current year. The Province of Nova Scotia has assumed the liability so an offset of the same amount has been recorded as a receivable from the Department of Finance. The current year's net expense incurred for future employee benefits is $696,330 (Note 8).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and various funds held in trust.

4. Receivables

	Operating Fund	Capital Fund	2004 Total	2003 Total
Charges to M.S.I.	$ 60,806	$ —	$ 60,806	$ 113,180
Foundations and Auxiliaries	14,454	65,362	79,816	7,732
Harmonized sales tax	235,830	75,573	311,403	260,121
Patients	526,930	—	526,930	482,021
Other	245,901	5,476	251,377	393,325
	1,083,921	146,411	1,230,332	1,256,379
Nova Scotia Department of Health				
Construction and equipment	—	728,542	728,542	299,684
Final settlement and other	1,041,124	—	1,041,124	1,186,694
	1,041,124	728,542	1,769,666	1,486,378
	$ 2,125,045	$ 874,953	$ 2,999,998	$ 2,742,757

The resolution of final settlement estimates are dependent upon approval of the Department of Health. An adjustment, if any, on the resolution of these amounts will be accounted for as an adjustment to fund balances in the period in which they occur.

5. Other receivables

	Operating Fund	2004 Total	2003 Total
Nova Scotia Department of Health			
Vacation pay	$ 819,314	$ 819,314	$ 819,314
Employee future benefits	2,542,195	2,542,195	1,947,208
Other	28,000	28,000	42,000
	$ 3,389,509	$ 3,389,509	$ 2,808,522

6. Land, buildings and equipment

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 353,260	$ —	$ 353,260	$ 278,460
Land improvements	1,261,216	156,898	1,104,318	1,030,899
Buildings	58,567,991	4,784,462	53,783,529	53,129,371
Equipment	11,870,222	5,381,124	6,489,098	7,196,046
Equipment under capital lease	22,127	10,933	11,194	12,771
Construction in progress	38,628	—	38,628	23,677
	$ 72,113,444	$ 10,333,417	$ 61,780,027	$ 61,671,224

7. Payables and accruals

	Operating Fund	Capital Fund	2004 Total	2003 Total
Trade	$ 2,740,761	$ 486,218	$ 3,226,979	$ 2,840,854
Vacation pay	1,501,667	---	1,501,667	1,416,753
	$ 4,242,428	$ 486,218	$ 4,728,646	$ 4,257,607

8. Employee future benefits

The Cumberland Health Authority has provided for retirement allowances as follows:

	2004	2003
Accrued benefit liability		
Beginning balance, retiring allowance	$ 1,947,208	$ 1,794,746
Current service cost for the year	168,600	112,600
Plan amendment	397,700	---
Amortization of experience gain	9,030	(3,638)
Interest cost during the year	121,000	117,800
Estimated fiscal payments for employees	(116,900)	(74,300)
Ending balance, retiring allowances	$ 2,526,638	$ 1,947,208

During the period, retiring allowances actually paid amount to $34,435 (2003-$79,770).

Employee future benefits expense	2004	2003
Current service costs	$ 168,600	$ 112,600
Interest on accrued benefits	121,000	117,800
Plan amendment	397,700	---
Amortization of experience gain	9,030	(3,638)
	$ 696,330	$ 226,762

The significant actuarial assumptions adopted in measuring the company's employee future benefits are as follows (weighted-average assumptions):

	2004	2003
Discount rate	6.17%	6.17%
Average age of employees	44.5	44.4
Expected average remaining service life	12.0	12.5
Average years of service	10.3	13.5
Rate of compensation increase	3.65%	3.65%

9. Pension fund

The Cumberland Health Authority participates in a multi-employer defined benefit plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2000 and showed a funding excess for the entire plan of over $107 million. An extrapolation to December 31, 2003 was preformed, which indicated a funding surplus of $90.9 million.

Information to follow the recommendations of the CICA Handbook on defined benefit plans is not available; therefore the plan is accounted for following the recommendations for defined contribution plans. The authority's pension expense for the year amounted to $1,124,183 (2003 - $933,394).

10. Advance from province

The advance from the Province of Nova Scotia is non-interest bearing and repayable in five equal annual instalments commencing in 2004. The 2004 instalment has not been paid.

11. Restricted fund balance

The Nova Scotia Department of Health provided funding to establish a reserve for the repayment of the capital lease obligation. This reserve is restricted and will be used solely for the repayment of the obligation referred to in Note 13. The balance of the reserve was $2,390 (2003 - $6,253) as of March 31, 2004.

12. Credit facilities

The Authority has a financing arrangement with a financial institution, which provides an available operating line of credit totalling $1,000,000, bearing interest at the prime rate, all of which is unused at March 31, 2004.

13. Commitments

a) Cumberland Health Authority is committed to the following estimated operating and occupancy lease payments in each of the next five fiscal years ended March 31:

2005	$	585,500
2006		516,500
2007		237,600
2008		184,100
2009		180,600

b) Cumberland Health Authority has entered into agreements to spend $1,336,791 on additions to property and equipment at the Cumberland Regional Health Care Centre. This represents the balance between the Nova Scotia Provincial Government Orders in Council of $51,300,000 and the total expenditures to date of $50,641,934, less a donation from the Town of Amherst of $678,725 over and above the amount committed.

14. Related entities

The Health Authority has responsibility for the operation of certain hospitals and health care centres as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care centres. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The Health Authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations will accrue to the benefit of the Authority. The amount and nature of these assets at March 31, 2004 are available from the individual financial statements of the related entities.

Unaudited

ENVIRONMENTAL TRUST FUND

Balance Sheet
as at March 31, 2004

ASSETS

	2004	2003
Cash	$ 1,299	$ 625
Investments (Schedule 1)	5,138	5,686
	$ 6,437	$ 6,311

FUND EQUITY

	2004	2003
Fund equity	$ 6,437	$ 6,311

Statement of Income and Fund Equity
for the year ended March 31, 2004

	2004	2003
Revenues		
Interest	$ 164	$ 158
Expenses		
Bank charges	38	53
Net Income	126	105
Fund equity, beginning of year	---	6,206
Fund equity, end of year	$ 126	$ 6,311

Unaudited

ENVIRONMENTAL TRUST FUND

Notes to Financial Statements
March 31, 2004

1. Authority

Effective January 1, 1995 the authority for Environmental Trust Fund operations is the Environment Act. The purpose of the Trust is to fund programs for environmental research and management and conservation of the environment.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. Administrative expenses incurred on behalf of the Fund are included in the expenditures of the Nova Scotia Department of Environment and Labour and are not reflected in the financial statements.

Schedule 1

ENVIRONMENTAL TRUST FUND

Schedule of Investments
March 31, 2004

Investment	Interest Rate	Maturity Date		Cost
RBC Bearer Deposit Note	2.17%	May 10, 2004	$	5,138

The investments of the Environmental Trust Fund are recorded at cost, which approximates their market value.

AUDITORS' REPORT

To the Chairperson and Members of the Board of
Guysborough Antigonish Strait Health Authority

We have audited the statement of financial position of Guysborough Antigonish Strait Health Authority as at March 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2004 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Sydney, Canada
May 28, 2004

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Financial Position
March 31, 2004, with comparative figures for 2003

ASSETS

	Operating Fund	Capital Fund	Restricted Fund	2004 Total	2003 Total
Current assets:					
Cash and marketable securities	$ 2,274,135	$ ---	$ 204,499	$ 2,478,634	$ 2,325,033
Accounts receivable (note 2)	5,515,901	45,565	---	5,561,466	5,962,536
Inventories (note 3)	577,603	---	---	577,603	488,305
Prepaid expenses	365,967	---	---	365,967	337,686
	8,733,606	45,565	204,499	8,983,670	9,113,560
Capital assets (note 4)	---	29,504,477	---	29,504,477	29,375,839
Other receivable :					
Retirement allowance (note 7)	5,354,486	---	---	5,354,486	4,528,570
	$ 14,088,092	$ 29,550,042	$ 204,499	$ 43,842,633	$ 43,017,969

LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS

	Operating Fund	Capital Fund	Restricted Fund	2004 Total	2003 Total
Current liabilities:					
Accounts payable and accrued liabilities (note 5)	$ 6,378,399	$ 34,033	$ ---	$ 6,412,432	$ 6,992,171
Deferred revenue	2,355,207	---	---	2,355,207	1,880,958
Current portion of capital lease payable	---	81,551	---	81,551	---
	8,733,606	115,584	---	8,849,190	8,873,129
Other liability:					
Retirement allowance (note 7)	5,354,486	---	---	5,354,486	4,528,570
Capital lease payable (note 8)	---	439,174	---	439,174	---
Deferred contributions related to capital assets (note 6)	---	28,413,432	---	28,413,432	28,834,102
Fund balances:					
Investment in capital assets (note 9)	---	581,852	---	581,852	581,852
Internally restricted	---	---	204,499	204,499	200,316
	---	581,852	204,499	786,351	782,168
	$ 14,088,092	$ 29,550,042	$ 204,499	$ 43,842,633	$ 43,017,969

See accompanying notes to financial statements.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Operations
Year ended March 31, 2004, with comparative figures for 2003

	Operating Fund	Capital Fund	Restricted Fund	2004 Total	2003 Total
Revenue:					
Department of Health	$ 40,998,381	$ 60,000	$ ---	$ 41,058,381	$ 33,940,476
Department of Health:					
Contract settlements	252,470	---	---	252,470	3,046,780
Retirement allowance funding	989,916	---	---	989,916	433,862
N.S. Medical Services Insurance (MSI)	2,769,085	---	---	2,769,085	2,746,219
Patient income	1,861,334	---	---	1,861,334	1,491,285
Dietary recoveries	492,017	---	---	492,017	487,748
Foundations and auxiliaries	41,008	---	---	41,008	31,796
Rentals	71,516	---	---	71,516	83,235
Miscellaneous	138,428	---	---	138,428	92,310
Investment income	49,326	---	4,183	53,509	32,246
Amortization of deferred contributions (note 8)	---	2,057,389	---	2,057,389	2,110,228
Laundry recoveries	231,790	---	---	231,790	213,623
Capital funding	---	951,360	---	951,360	2,105,718
	47,895,271	3,068,749	4,183	50,968,203	46,815,526
Expenditures:					
Nursing services	18,536,366	---	---	18,536,366	16,628,429
Support services	8,779,500	---	---	8,779,500	8,362,986
Diagnostic and therapeutic	7,279,138	---	---	7,279,138	6,525,871
Administrative services	3,838,538	---	---	3,838,538	3,370,600
Medical services	1,188,405	---	---	1,188,405	1,136,507
Non-portable programs	6,114,331	---	---	6,114,331	5,568,743
Level III emergency services	1,169,077	---	---	1,169,077	1,047,671
Retirement allowance	989,916	---	---	989,916	433,862
Amortization of capital assets	---	2,117,389	---	2,117,389	2,110,228
Capital expenditures	---	951,360	---	951,360	2,225,287
	47,895,271	3,068,749	---	50,964,020	47,410,184
Net operating position before deficit funding	---	---	4,183	4,183	(594,658)
Deficit funding received from Department of Health	---	---	---	---	597,136
Excess of revenue over expenditures, for the year	$ ---	$ ---	$ 4,183	$ 4,183	$ 2,478

See accompanying notes to financial statements.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Changes in Net Assets
Year ended March 31, 2004, with comparative figures for 2003

	Investment in capital assets	Internally restricted	2004 Total	2003 Total
Balance, beginning of year $	581,852 $	200,316 $	782,168 $	779,690
Excess of revenue over expenditures	---	4,183	4,183	2,478
Balance, end of year	581,852 $	204,499 $	786,351 $	782,168

Statement of Cash Flows
Year ended March 31, 2004, with comparative figures for 2003

Cash provided by (used for):

	2004	2003
Operations:		
Excess of revenue over expenditures $	4,183 $	2,478
Items not involving cash:		
Amortization of capital assets	2,117,389	2,110,228
Amortization of deferred contributions related to capital assets	(2,057,389)	(2,110,228)
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	401,070	(402,909)
Increase in inventories	(89,298)	(26,484)
Increase in prepaid expenses	(28,281)	(116,326)
(Decrease) increase in accounts payable and accrued liabilities	(579,739)	530,261
Increase in deferred revenues	474,249	403,202
	242,184	390,222
Financing and investing activities:		
Additions to capital assets	(2,246,027)	(2,225,287)
Additions to deferred contributions related to capital assets	1,636,719	1,770,250
Capital lease addition	600,000	---
Capital lease repayments	(79,275)	---
	(88,583)	(455,037)
Increase (decrease) in cash	153,601	(64,815)
Cash, beginning of year	2,325,033	2,389,848
Cash, end of year $	2,478,634 $	2,325,033

See accompanying notes to financial statements.

On June 8, 2000, Bill #34 - The Health Authorities Act, received Royal Assent. This legislation created District Health Authorities. As a result of this legislation, District Health Authority #7 began operations effective January 1, 2001.

On March 23, 2001 the District Board of the Health Authority #7 changed its name to operate as the Guysborough Antigonsh Strait Health Authority.

The Health Authority's principal activity is to operate and manage designated hospitals and other health related activities within the Eastern Region of Nova Scoita.

1. Significant accounting policies:

a) Revenue Recognition

The Health Authority follows the deferral method of accounting for contributions which include donations and government grants.

The Health Authority is funded primarily by the Province of Nova Scotia in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized on a straight-line basis, at a rate corresponding with the depreciation rate for the related capital asset.

Investment income (restricted and unrestricted) is recognized as revenue when earned.

b) Marketable securities:

Marketable securities are valued at the lower of cost or market value.

c) Inventories:

Inventories are valued at cost.

d) Restricted:

Funds donated from outside agencies or individuals which have been designated for a specific purpose have been restricted.

e) Capital assets:

Capital assets are stated at cost.

Capital assets are amortized on the straight-line basis using the following annual rates:

Asset	**Rates**
Building, paving and land improvements	2.5%, 4%, 8%
Major equipment	5%, 6.67%, 10%, 20%

2. Accounts receivable:

	2004	2003
Patient services $	337,280 $	428,294
Department of Health:		
Vacation liability	1,331,500	1,331,500
Nursing strategy	102,852	170,336
Capital items	514,471	—
Special maintenance	254,760	—
Hospital Information System project	1,450,042	2,152,440
Contract settlement	252,469	—
Hospital in the home	208,800	—
On Call Physician Program	96,255	95,276
Anesthesia	148,098	196,813
Pathology	197,751	—
Other	44,187	44,096
Retirement allowance payouts	76,515	33,787
Final settlement	—	597,136
Nova Scotia Medical Insurance Services (M.S.I.)	47,397	51,693
Harmonized sales tax	282,235	298,051
Sundry	171,289	134,515
Hospital foundations - operating (note 11)	—	2,294
	5,515,901	5,536,231
Capital fund:		
Hospital foundations (note11)	—	41,798
Due from operating fund	45,565	384,507
	45,565	426,305
$	5,561,466 $	5,962,536

3. Inventories:

	2004	2003
Medical and surgical $	94,749 $	80,588
Drugs	295,399	254,244
Intravenous	5,916	5,904
Maintenance	22,121	16,254
Food	10,500	10,500
General	148,918	120,815
$	577,603 $	488,305

4. Capital assets:

			2004	2003
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Land $	581,852 $	— $	581,852 $	581,852
Buildings and paving	42,132,563	17,655,428	24,477,135	24,863,567
Equipment	21,391,951	16,946,461	4,445,490	3,930,420
$	64,106,366 $	34,601,889 $	29,504,477 $	29,375,839

5. Accounts payable and accrued liabilities:

	2004	2003
Accounts payable and accrued liabilities	$ 2,850,569	$ 3,231,001
Accrued payroll:		
Salaries	1,401,184	1,201,903
Vacation pay	1,560,889	1,586,456
Contract settlement	233,397	---
Equipment payable	---	963
Cape Breton District Health Authority	286,795	201,151
Due to operating fund	45,565	384,507
	6,378,399	6,605,981
Capital fund:		
Accounts payable and accrued liabilities	34,033	386,190
	$ 6,412,432	$ 6,992,171

6. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the year are as follows:

	2004	2003
Balance, beginning of year	$ 28,834,102	$ 29,174,080
Additional contributions received	1,636,719	1,770,250
Amounts amortized to revenue	(2,057,389)	(2,110,228)
Balance, end of year	$ 28,413,432	$ 28,834,102

The balance of unamortized capital contributions related to capital assets consists of the following:

	2004	2003
Unamortized capital contributions used to purchase assets	$ 28,382,625	$ 28,793,987
Unspent contributions	30,807	40,115
	$ 28,413,432	$ 28,834,102

7. Retirement allowance:

In the prior year, the Department of Health requested that Nova Scotia District Health Authorities recognize in their financial statements both the liability for retiring allowances and the related commitment by the Department of Health to fund same.

To promote consistency amongst Authorities the Department engaged consulting actuaries to quantify for each Health Authority the retiring allowance liability and expense for years up to March 31, 2004. An actuarial valuation has been performed to quanitify the expense and liability for the fiscal year ended March 31, 2004.

In compliance with the Department's request, the following has been recorded in respect of retiring allowances accrued up to March 31, 2003:

	2004	2003
Opening balance	$ 4,528,570	$ 4,193,608
Retiring allowance expense computed with reference to the actuarial projection of expense for the year	989,916	433,862
Retirement allowance payouts (estimated)	(164,000)	(98,900)
Funding receivable from the Department for the actual projected liability	$ 5,354,486	$ 4,528,570

8. Capital leases payable:

	2004	2003
8.00% 7 year capital leases on several pieces of equipment. Repayable in monthly amounts based on minimum annual commitments totaling $386,352 which includes cost of supplies, interest, maintenance and equipment cost	$ 520,725	$ ---
Amount repayable within one year	81,551	---
	$ 439,174	$ ---

Annual repayments required over the next five years are as follows: 2005 - $81,551; 2006 - $88,320; 2007 - $95,650; 2008 - $103,589 and 2009 - $112,187.

9. Investment in capital assets:

a) Investment in capital assets is calculated as follows:

	2004	2003
Capital assets	$ 29,504,477	$ 29,375,839
Amounts financed by:		
Deferred contributions - spent	28,382,625	28,793,987
Capital lease additions	600,000	---
Amortization of capital lease assets	(60,000)	---
	28,922,625	28,793,987
	$ 581,852	$ 581,852

b) Changes in net assets invested in capital assets is calculated as follows:

	2004	2003
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	$ 2,057,389	$ 2,110,228
Department of Health	60,000	---
Amortization of capital assets	(2,117,389)	(2,110,228)
	$ ---	$ ---
Net change in investment in capital assets:		
Capital assets acquired	$ 2,246,027	$ 2,225,287
Amounts funded by deferred contributions	(1,646,027)	(2,225,287)
Funded by capital leases	(600,000)	---
	$ ---	$ ---

10. Accounts with the Department of Health:

The Health Authority has the following accounts with the Department of Health:

		2004		2003
Accounts receivable:				
Retirement allowance	$	5,354,486	$	4,528,570
Vacation liability		1,331,500		1,331,500
Nursing strategy		102,852		170,336
Capital items		514,471		---
Special maintenance		254,760		---
Hospital Information System project		1,450,042		2,152,440
Contract settlement		252,469		---
Hospital in the home		208,800		---
On Call Physician Program		96,255		95,276
Anesthesia		148,098		196,813
Pathology		197,751		---
Other		44,187		44,096
Retirement allowance payouts		76,515		33,787
Final settlements		---		597,136
	$	10,032,186	$	9,149,954

Collectability of the estimated receivable is dependent on obtaining approval for certain expenditures.

The adjustment, if any, on the ultimate settlement of the above amounts will be accounted for as a charge to or credit against income in the period in which settlement occurs.

11. Related parties:

The Health Authority is related to St. Martha's Regional Hospital Foundation, Guysborough Memorial Hospital Foundation, Strait Richmond Hospital Charitable Foundation and St. Mary's Memorial Hospital Society. The Foundations' primary purpose is to raise funds to assist in the construction of and the supply of certain equipment for the Health Authority.

The following amounts were due from or to the Foundations as at March 31:

		2004		2003
Operating fund:				
Due to Hospital Foundations:				
St. Martha's Regional Hospital Foundation	$	---	$	1,012
Guysbourough Memorial Hospital Foundation		---		1,282
	$	---	$	2,294
Capital fund:				
Due to Hospital Foundation:				
St. Martha's Regional Hospital Auxiliary	$	---	$	41,798

During the year ended March 31, 2004, the following amounts were received from the Foundations to purchase equipment:

		2004		2003
St. Martha's Regional Hospital Foundation	$	28,167	$	150,000
St. Martha's Regional Hospital Auxiliary		76,469		189,591
Strait Richmond Hospital Foundation		30,987		13,191
Guysbourough Memorial Hospital Foundation		---		8,900
St. Mary's Memorial Hospital Foundation		26,600		---
Eastern Memorial Hospital Foundation		3,000		---
	$	165,223	$	361,682

12. Contingencies:

The Health Authority has referred four incidents to their lawyers but no originating notice of action has been received.

The outcome of these matters is not determinable and settlement, if any, will be accounted for as a charge to operations in the period of settlement.

Management is of the opinion that their insurance coverage is sufficient to meet or discharge any obligations arising from any possible lawsuits.

13. Fair value of financial instruments:

The fair value of assets and liabilities would be determined by discounting the future cash flows by the effective interest rate. The fair value of financial assets and liabilities have not been calculated as it is not practicable at this time and within constraints of timeliness or cost to determine the amounts with sufficient reliability.

AUDITORS' REPORT

To the Chairman and Commissioners of the
Halifax-Dartmouth Bridge Commission:

We have audited the balance sheets of Halifax-Dartmouth Bridge Commission as at December 31, 2003 and 2002 and the statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

LEVY CASEY CARTER MACLEAN
Chartered Accountants

Halifax, Nova Scotia
February 16, 2004

HALIFAX - DARTMOUTH BRIDGE COMMISSION

Balance Sheet
December 31, 2003

	2003	2002 (in thousands)
ASSETS		
Current		
Cash (note 1 (e))	$ 14,289	$ 9,713
Receivables		
Trade	35	22
Accrued interest	40	25
Recoverable HST (note 2)	133	55
Prepaid expenses	231	197
	14,728	10,012
Deferred financing costs and discounts, net of accumulated amortization of $4,281 (2002 - $3,439) (note 1 (d))	3,299	4,141
Deferred transponder charges, net of accumulated amortization of $205 (2002 - $142) (note 9)	452	517
Capital Assets (note 3)	71,439	74,422
Restricted assets (note 4)		
Investment - OMA Fund	1,739	1,499
Investment - Debt Service Fund	2,974	2,975
Investment - Capital Fund	13,483	9,860
Investment - Sinking Fund	8,908	6,519
	$ 117,022	$ 109,945
LIABILITIES		
Current		
Payables and accruals	$ 755	$ 431
Capital project holdbacks payable	258	267
Accrued interest payable	456	456
Refundable customer transponder amounts (note 9)	1,558	1,305
Deferred revenue (note 1(b) and 5)	2,745	2,669
	5,772	5,128
Long-term debt (note 6)	123,000	123,000
DEFICIT		
Reserve for restricted assets (note 4)	27,104	20,853
Deficit	(38,854)	(39,036)
	(11,750)	(18,183)
	$ 117,022	$ 109,945

HALIFAX - DARTMOUTH BRIDGE COMMISSION

Statement of Income and Deficit
year ended December 31, 2003

	2003	2002
		(in thousands)
Revenue		
Toll revenue (note 1(b))	$ 23,003	$ 22,983
Other rate charges	135	135
Investment and sundry income		
OMA , Debt Service, Capital and Sinking Funds	1,141	844
Other	376	214
	24,655	24,176
Expenses		
Operating expenses	1,234	1,206
Maintenance expenses	2,701	2,341
Administrative expenses	2,363	2,033
Amortization of capital assets	4,306	4,386
Amortization of deferred transponder charges	65	65
Interest on long-term debt and amortization of deferred financing costs (note 7)	7,552	7,449
	18,221	17,480
Net income	6,434	6,696
Deficit, beginning of year	(39,036)	(39,904)
	(32,602)	(33,208)
Appropriation to restricted asset reserve	(6,252)	(5,828)
Deficit, end of year	$ (38,854)	$ (39,036)

HALIFAX - DARTMOUTH BRIDGE COMMISSION

Statement of Cash Flows
year ended December 31, 2003

	2003	2002
		(in thousands)
Operating Activities		
Net income	$ 6,434	$ 6,696
Amortization of capital assets	4,306	4,386
Amortization of deferred transponder charges	65	65
Amortization of debt discount and refinancing costs	842	842
Loss (gain) on disposal of capital assets	74	(26)
	11,721	11,963
Net change in non-cash operating balances (note 8)	504	356
	12,225	12,319
Investing Activities		
Proceeds from disposal of capital assets	14	28
Investment in capital fund investments	(3,623)	(3,466)
Investment in sinking fund investments	(2,389)	(2,288)
Increase in OMA fund investments	(240)	(74)
Decrease (increase) in Debt Service Fund investments	1	---
Purchase of capital assets	(1,412)	(820)
	(7,649)	(6,620)
Increase in cash during year	4,576	5,699
Cash, beginning of year	9,713	4,014
Cash, end of year	$ 14,289	$ 9,713

Notes to Financial Statements
December 31, 2003

1. Significant Accounting Policies

a) Basis of financial statement presentation

The Commission, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

b) Revenue recognition

The Commission recognizes revenue at the time a vehicle crosses a bridge. The Commission's bridge toll rates are regulated by the Nova Scotia Utility and Review Board.

c) Amortization of capital assets

Amortization is calculated using the declining balance (d.b.) method, except for bridge structures, buildings, some bridge components and transponders, which are being depreciated using the straight line (s.l.) method at rates based on the estimated useful life of the assets, as indicated in note 3. Amortization commences in the year an asset is put in use. The Commission periodically updates the estimated remaining useful life of the bridges based on consultation with the Commission's external consulting engineers.

d) Amortization of financing costs

The financing costs, discounts and hedge costs are being amortized on a straight line basis over the term of the Toll Revenue Bonds Series 1, to December, 2007.

e) Cash and cash equivalents

Cash consists of funds held in the current bank account. Interest is received on funds in the general bank account at a rate of Prime minus 1.75%.

2. Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, the Commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

3. Capital Assets

		2003			2002
	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
				(in thousands)	
Land		$ 5,735	$ —	$ 5,735	$ 5,735
Buildings	40 yrs s.l.	2,106	1,407	699	769
Bridge and bridge component					
A.L. Macdonald Bridge	20 to 85 yrs s.l.	66,947	18,500	48,447	50,878
A.M. MacKay Bridge	15 to 80 yrs s.l.	23,791	10,706	13,085	13,993
Electronic toll transponders	10 yrs s.l.	1,346	316	1,030	690
Computer equipment	30% d.b.	635	442	193	158
Toll and other equipment	20% d.b.	6,085	4,088	1,997	1,918
Mobile equipment	30 % d.b.	987	734	253	281
		$ 107,632	$ 36,193	$ 71,439	$ 74,422

4. Restricted assets (in thousands)

Under the terms of a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company providing for the issue of Toll Revenue Bonds Series 1, so long as such Bonds are outstanding, the Commission must maintain four reserve funds, which will be funded from the revenues of the Commission after payment of current operating, maintenance, and administrative expenses. With the exception of the capital fund, the reserve funds are held and invested by the trustee on behalf of the Commission.

The Operating, Maintenance, and Administrative (OMA) Fund must be maintained at an amount at least equal to 25% of the annual budgeted OMA expenses for the year. This fund can only be used to pay OMA expenses, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2003, the OMA fund had a market value of $1,739 and was invested in Government of Canada Treasury Bills maturing in June 2004 with a yield of 2.61%.

The debt service fund must be maintained at an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness, net of interest earned by the Commission in the year. This fund can only be used to pay principal, interest, and fees in respect of Toll Revenue Bonds Series 1, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2003, the Debt Service Fund had a market value of $2,974 and was invested in cash and Government of Canada Treasury Bills maturing in June 2004 with a yield of 2.61%.

The Commission has been required to make quarterly contributions of $500 to the sinking fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds Series 1. At December 31, 2003, the sinking fund had a market value of $9,158 and was invested in various federal and provincial bonds maturing in 2007 with yields of 4.32% to 6.68%.

The Commission has been required to make quarterly contributions of $750 to the Capital Fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds Series 1, or for the maintenance of, or improvements to the bridges. At December 31, 2003, the capital fund had a market value of $13,882 and was invested in various federal, provincial and corporate bonds maturing in 2007 and 2012 with yields of 5.2% to 7.92%.

5. Deferred Revenue

	2003	2002
	(in thousands)	
Unredeemed Tokens	$ 1,551	$ 1,643
Electronic Toll Collection (ETC) Accounts	1,194	1,026
	$ 2,745	$ 2,669

Token sales are recorded as deferred revenue until the tokens are used by customers, at which time revenue is recognized.

Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

6. Long-term debt (in thousands)

	2003	2002
	(in thousands)	
5.95% Toll Revenue Bonds Series 1 (see below)	$ 100,000	$ 100,000
90 day B.A. rate + 3/10 of 1% line of credit (see below)	23,000	23,000
	$ 123,000	$ 123,000

5.95% Toll Revenue Bonds Series 1, maturing December 4, 2007 with interest payable in semi-annual payments. The Bonds are secured by an assignment of the revenues of the Commission; subject to the prior payment of operating, maintenance and administrative expenses, and the maintenance of certain reserve funds by the Commission pursuant to a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company (see note 4).

90 day B.A. rate + 3/10 of 1% line of credit, maturing the day following the date principal and interest are repaid in full on the Toll Revenue Bonds Series 1. This facility is a committed revolving credit of $30,000. Interest is payable annually. This debt is subordinated to the payment in full of all amounts from time to time owing to the holders of the Toll Revenue Bonds Series 1 under the Trust Indenture (see note 4). No amounts of principal or interest shall be paid by the Commission on this debt if the Commission is in default of payment of OMA expenses, principal or interest on the Toll Revenue Bonds Series 1, amounts due to be deposited into OMA Fund, Debt Service Fund, Sinking Fund, or Capital Fund, or amounts of principal and interest due under any other indebtedness of the Commission.

The estimated fair market value of the $100,000 fixed rate long-term debt, based on the quoted market price for the same issue at December 31, 2003, is $107,071.

Payments required to the Sinking Fund and Capital Fund (see note 4) over the next four years are as follows:

2004	$	5,000
2005	$	5,000
2006	$	5,000
2007	$	5,000

7. Interest on long-term debt and amortization of deferred financing costs

	2003	2002
	(in thousands)	
Interest on long-term debt		
Toll Revenue Bonds	$ 5,950	$ 5,950
Line of Credit	760	657
Amortization of deferred financing costs and discounts	842	842
	$ 7,552	$ 7,449

8. Net change in non-cash operating balances

	2003	2002
	(in thousands)	
Increase (decrease) in cash from changes in:		
Receivables	$ (106)	$ 84
Prepaid expenses	(34)	(48)
Payables and accruals	315	(135)
Customer transponder amounts	253	298
Deferred revenue	76	157
	$ 504	$ 356

9. Transponders (in thousands)

The Commission has recorded a liability for all payments received on the issue of transponders to customers. The cost of all transponders issued to customers prior to December of 2000 has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after that date has been recorded as capital assets (see Note 3). In both cases, the transponders are being amortized on a straight-line basis to 2010.

10. Pension plan (in thousands)

The Commission sponsors a defined contribution pension plan for all permanent employees. No future contributions are required in respect of past service at December 31, 2003. The Commission recognized an expense of $65 for pension contributions during the year ($62 for 2002).

11. Retirement Benefits (in thousands)

Generally accepted accounting principles require entities to accrue all employee future benefits. The Commission's policy is that all employees who retire at age 60 or later, or who become disabled at any age, will be paid a retirement benefit equal to one months salary for their first ten years of service, plus one months salary for each additional five full years of service. The benefit is based on the salary in effect at the time of retirement. The Commission has recorded a liability of $180 (2002 - $156) in retirement benefits as at December 31, 2003. The amount of $24 was charged to administrative and maintenance expenses for the year (2002 - $7) in this regard.

12. Incorporation

The Halifax-Dartmouth Bridge Commission is incorporated by Special Statute of the Province of Nova Scotia. The mandate of the Commission is to construct, maintain, and operate bridges and their necessary approaches across Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm.

13. Contingencies

The Commission has received correspondence that may lead to a claim against it for alleged damages caused to a property owner by modifications to a bridge. The eventual outcome of such action, if any is taken, is not determinable at this time.

14. Additional Credit Facility (in thousands)

The Commission has a $5,000 operating loan facility with a chartered bank, which bears interest at prime rate minus .5% per year. The operating facility is subject to annual review and is unsecured. As at December 31, 2003, no advances were outstanding.

AUDITORS' REPORT

To the Chairperson and Members of the Board of
The Halifax Regional School Board

We have audited the consolidated balance sheet of the Halifax Regional School Board as at March 31, 2004, and the consolidated statement of operations and surplus for the year then ended. These statements have been prepared to comply with the School Board Financial Handbook as prescribed by the Ministerial Regulations of the Education Act of Nova Scotia. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2004 and the results of its operations for the year then ended in accordance with accounting principles disclosed in Note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of members of the Board and the Minister of Education of Nova Scotia for complying with legislative requirements. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

GRANT THORNTON LLP
Chartered Accountants

Dartmouth, Nova Scotia
June 4, 2004

HALIFAX REGIONAL SCHOOL BOARD

Consolidated Balance Sheet
March 31, 2004

	2004	2003
ASSETS		
Current		
Cash	$ 8,415,880	$ 4,128,341
Receivables	5,743,009	14,349,961
Prepaids	1,041,548	17,702
	15,200,437	18,496,004
Service awards receivable (Note 3)	52,235,665	48,443,371
Capital assets (Note 2[b])		
Buildings	105,004,957	106,783,782
Equipment	371,831	1,708,410
Vehicles	381,885	82,878
	105,758,673	108,575,070
	$ 173,194,775	$ 175,514,445
LIABILITIES		
Current		
Payables and accruals	$ 9,345,732	$ 13,727,356
Deferred revenue	2,173,433	1,491,875
	11,519,165	15,219,231
Long term		
Service award liability (Note 3)	52,235,665	48,443,371
Due to Trust Funds	---	1,025
	52,235,665	48,444,396
	63,754,830	63,663,627
EQUITY		
Surplus (Page168)	299,257	149,369
Investment in capital assets(Page 172)	105,758,673	108,575,070
Reserve funds (Page 172)	3,382,015	3,126,379
	109,439,945	111,850,818
	$ 173,194,775	$ 175,514,445

Commitments (Note 5)
Contingencies (Note 6)

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

Consolidated Statement of Operations and Surplus
Year ended March 31, 2004

	2004		2003
	Budget	**Actual**	**Actual**
Revenue			
Province of Nova Scotia	$ 225,851,100	$ 231,383,294	$ 218,657,290
Halifax Regional Municipality	88,447,300	88,446,500	84,572,104
Government of Canada	1,884,500	2,171,649	2,038,156
Board operations	4,307,500	4,881,531	4,305,450
Transfers from reserves	---	2,752,541	857,171
	320,490,400	329,635,515	310,430,171
Expenditure			
School administration	248,376,000	253,034,913	242,239,269
Program	10,054,200	8,655,444	5,697,821
Regional board management	2,444,900	2,400,155	2,150,407
Financial services	18,995,000	18,349,976	18,263,686
School facilities	37,130,900	37,981,325	34,636,921
Human resource services	3,489,400	3,303,096	3,715,352
Expenditures from reserves	---	2,752,541	857,171
	320,490,400	326,477,450	307,560,627
Excess of revenue over expenditure before transfers	---	3,158,065	2,869,544
Transfer to General Fund Reserve	---	(2,535,498)	(2,321,270)
Transfer to Program Resourses Reserve	---	(472,679)	(513,109)
Excess of revenue over expenditure	$ ---	$ 149,888	$ 35,165

Surplus, beginning of year	$ 149,369	$ 114,204
Excess of revenue over expenditure	149,888	35,165
Surplus, end of year	$ 299,257	$ 149,369

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

General and Supplementary Fund
Balance Sheet
March 31, 2004

	2004	2003
ASSETS		
Current		
Cash	$ 8,415,880	$ 4,128,341
Receivables		
Province of Nova Scotia	2,214,492	10,983,076
Government of Canada	1,571,559	2,422,491
Other	1,956,958	944,394
Prepaids	1,041,548	17,702
	15,200,437	18,496,004
Service awards receivable (Note 3)	52,235,665	48,443,371
	$ 67,436,102	$ 66,939,375
LIABILITIES		
Current		
Payables and accruals	9,345,732	13,727,356
Deferred revenue	2,173,433	1,491,875
	11,519,165	15,219,231
Long term		
Due to Trust Funds	---	1,025
Due to Reserve Funds	3,382,015	3,126,379
Service award liability (Note 3)	52,235,665	48,443,371
	55,617,680	51,570,775
	67,136,845	66,790,006
EQUITY		
Surplus - Supplementary Fund (Page 171)	299,257	149,369
	$ 67,436,102	$ 66,939,375

Commitments (Note 5)
Contingencies (Note 6)

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Statement of Operations
Year ended March 31, 2004

		2004		2003
	Page	**Budget**	**Actual**	**Actual**
Revenue				
Province of Nova Scotia . . .	177	$ 225,851,100	$ 231,383,294	$ 218,657,290
Halifax Regional Municipality	177	67,600,300	67,600,303	63,725,904
Government of Canada	177	1,884,500	2,171,649	2,038,156
Board operations	177	4,307,500	4,881,531	4,305,450
Transfer from reserves	177	—	2,752,541	857,171
		299,643,400	308,789,318	289,583,971
Expenditure				
School administration	178-179	227,601,400	232,411,004	221,899,234
Program	179	10,054,200	8,655,444	5,697,821
Regional board management	180	2,444,900	2,400,155	2,150,407
Financial services.	180-181	18,922,600	18,277,576	17,792,686
School facilities.	181	37,130,900	37,981,325	34,636,921
Human resource services. . .	182	3,489,400	3,303,096	3,715,352
Expenditure from reserves . .	182	—	2,752,541	857,171
		299,643,400	305,781,141	286,749,592
Excess of revenue over expenditure.		—	3,008,177	2,834,379
Transfer to General Fund Reserve.		—	(2,535,498)	(2,321,270)
Transfer to Program Resource Reserve.		—	(472,679)	(513,109)
Excess of revenue over expenditure, and surplus end of year		$ —	$ —	$ —

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

Supplementary Fund
Statement of Operations and Surplus
Year Ended March 31, 2004

	Page	2004 Budget	2004 Actual	2003 Actual
Revenue				
Halifax Regional Municipality	183-185	$ 20,847,000	$ 20,846,197	$ 20,846,200
Expenditure				
School administration	183-185	20,774,600	20,623,909	20,340,035
Student transportation	183-185	72,400	72,400	75,000
Administration allocation	183-185	---	---	396,000
		20,847,000	20,696,309	20,811,035
Excess of revenue over expenditure		$ ---	$ 149,888	$ 35,165

	2004	2003
Surplus, beginning of year	$ 149,369	$ 114,204
Excess of revenue over expenditure	149,888	35,165
Surplus, end of year	$ 299,257	$ 149,369

Capital Fund
Balance Sheet
March 31, 2004

	2004	2003
ASSETS		
Buildings (Note 2[b])	$ 105,004,957	$ 106,783,782
Equipment (Note 2[b])	371,831	1,708,410
Vehicles	381,885	82,878
	$ 105,758,673	$ 108,575,070
EQUITY		
Investment in capital assets (Page 172)	$ 105,758,673	$ 108,575,070

Commitments (Note 5)
Contingencies (Note 6)

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

Capital Fund
Investment in Capital Assets
Year ended March 31, 2004

	2004	2003
Balance, beginning of year	$ 108,575,070	$ 111,612,678
Capital purchases out of revenue		
Vehicles	299,007	43,364
Building improvements	625,028	348,156
	924,035	391,520
	109,499,105	112,004,198
Capital assets written off	3,740,432	3,429,128
	$ 105,758,673	$ 108,575,070

Reserve Funds
Balance Sheet
March 31, 2004

	2004	2003
ASSETS		
Due from General Fund	$ 3,382,015	$ 3,126,379
EQUITY		
Reserves (Below)	$ 3,382,015	$ 3,126,379

Reserve Funds (Note 8)
Statement of Continuity of Reserves
Year ended March 31, 2004

	General Fund	Program Resources	2004 Total	2003 Total
Balance, beginning of year	$ 2,613,270	$ 513,109	$ 3,126,379	$ 1,149,170
Transfers to General Fund	(2,239,432)	(513,109)	(2,752,541)	(857,170)
Transfers from General Fund	2,535,498	472,679	3,008,177	2,834,379
Balance, end of year	$ 2,909,336	$ 472,679	$ 3,382,015	$ 3,126,379

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

Notes to the Consolidated Financial Statements
March 31, 2004

1. Nature of operations

The Halifax Regional School Board manages education programs and finances of public schools within the Halifax Regional Municipality.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared using accounting principles of the School Board Financial Handbook as presecibed by the Ministerial Regulations of the Education Act of Nova Scotia. These principles are consistent with those used in prior years. The consolidated statement of operations and consolidated balance sheet includes the accounts of the general, supplementary, capital, and reserve funds. Trust funds are not included in the consolidation. For a detailed review the reader should refer to the financial statements of each fund as presented in these financial statements. The basis of accounting used in these consolidated financial statements materially differs from Canadian generally accepted accounting principles as described below:

(a) Accrual accounting

Revenues and expenditures are accounted for on the accrual basis of accounting, with the following exceptions:

- (i) No provision has been made to record teachers' salaries and benefits accrued but unpaid at year end. Commencing in fiscal 2004 non-teachers' salaries and benefits have been accrued resulting in additional expenses of $2,724,530;
- (ii) Vacation pay is recorded as a salary expense when paid;
- (iii) No provision has been made to record the liability for employee future benefits.

(b) Capital fund assets

Capital fund assets transferred from municipal councils are recorded at their carrying value. Prior to 2001, all building improvements and acquisitions of furniture and equipment were recorded at cost. Commencing in 2001, the Board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds and only those assets meeting the thresholds are recorded as additions. These thresholds are as follows:

Buildings	$	250,000
Leasehold improvements	$	250,000
Computer hardware	$	25,000
Motor vehicles	$	15,000
Major equipment	$	50,000

Assets were written off in accordance with the criteria prescribed by the Department of Education. Additions other than buildings acquired prior to 2001 are written off after five years. The Board does not depreciate its assets.

Under the agreement with the municipal councils, all school buildings and land on hand at January 1, 1982 remain assets of the municipality but are under the operational control of the Board until such time as the Board no longer requires the asset for school purposes. At that time control will revert back to the municipal councils.

The Board has made additions to school buildings, legal title to which is held by the Halifax Regional Municipality. Under the Education Act, should the buildings in question be disposed of, the Board will be entitled to a portion of any net proceeds of disposition.

(c) Controlled or related enterprises

Investment in or activity of controlled and/or related enterprises is not included in the consolidated financial statements.

(d) Reserves and reserve funds

Reserves and reserve funds represent funds appropriated for general and specific purposes and are charged or credited to the statement of operations in the year appropriated or drawn.

(e) Prepaid expenditures

Prepaid expenditures are charged against income over the period to which the expenditure relates.

Trust funds

The trust funds represent contributions in trust on which the income thereon is used to provide scholarships for eligible students.

Use of estimates

In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts by fund of revenue and expenditure. Actual results could differ from these estimates.

Financial instruments

The Board's financial instruments consist of cash and cash equavilents, receivables and payables and accruals. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

3. Service awards

Qualifying employes receive a service award upon retirement, disability, death or termination, when entitled to a vested pension, under the contracts between unions and the Board and predecessor boards. The contracts prescribe the formulae used in calculating the payment as well as the period over which payment is to be made.

During the year ended March 31, 2004, the Board paid $Nil (2003 - $540,602) in service awards to retiring employees. All current service awards were paid by the Province.

The Province of Nova Scotia assumed responsibility for the payment of service awards to qualifying employees effective April 1, 2002 and all school boards in Nova Scotia are required to recognize the projected liability with respect to these service awards. The projected liability is offset by a receivable from the Province. The amount of the projected liability has been determined by the Nova Scotia Department of Finance, based on an actuarial valuation. Beginning in fiscal 2003, school boards remit an amount, as determined by the Province of Nova Scotia, to the Province as a result of the Province assuming the responsibility for the payment of these service awards.

4. Pension plans

(a) Teachers

The Board's teachers are covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act. The Province of Nova Scotia is responsible for funding this plan and accordingly no provision is included in the Board's financial statements for the related pension amounts.

(b) Other

As of January 1, 2000 the pension plans covering non-teaching staff were transferred to the Halifax Regional Municipality Pension Plan.

5. Commitments

(a) The Board has entered into agreements to lease buildings and office equipment for various periods until 2008. The annual rent of the buildings includes a base rent plus a share of operating expenses. Minimum rent payable for the buildings and equipment is as follows:

	Buildings	Equipment	Total
2005	$ 68,905	$ 280,919	$ 349,824
2006	50,874	---	50,874
2007	50,874	---	50,874
2008	25,437	---	25,437
	$ 196,090	$ 280,919	$ 477,009

The Board is also committed to lease photocopiers. The payment is based on usage and, therefore, cannot be accurately estimated.

(b) The Board has contracted for the provision of transportation services until June 30, 2006. The cost of this contract approximates $11,500,000 per annum.

In addition, the Board is committed to spend an additional amount of approximately $300,000 for other transportation services in 2005.

(c) The Board is committed to pay management fees of approximately $90,300 for the five months ended August 31, 2004 to Ashford Properties for services related to O'Connell Drive School.

6. Contingencies

The Board incurred expenditures relating to environmental matters in its properties during the year ended March 31, 2004 and prior years. It is likely that such expenditures will continue in future years and will be funded as incurred. The future liability relating to environmental matters in properties is not determinable at this time.

7. Bank indebtedness

The Board has an operating line of credit of $3,000,000 with interest at prime. As at March 31, 2004, this line of credit had not been utilized.

8. Reserve funds

(a) Program Resources Reserve

The Program Resources reserve is earmarked specifically for schools. It relates to balances of school program resource budgets carried forward to subsequent years to enable schools to better manage and plan over the long term.

(b) General Fund Reserve

The General Fund reserve represents remaining unrestricted funds available for future operations. Included is $2,909,336 (2003 - $292,000) which has been committed but not yet expended.

9. Related party transactions

These financial statements do not include certain expenditures paid and services provided on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- Early Retirement Program payments;
- P3 schools and facilities leases and operating costs;
- Payments for the teachers' pension plan and medical premiums;
- Certain IT systems and support.

10. Comparative figures

Certain of the comparative figures for 2003 have been reclassified to conform with the financial statement presentation adopted for 2004.

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Detail of Revenue
Year Ended March 31, 2004

	2004		2003
	Budget	Actual	Actual
Revenue			
Province of Nova Scotia			
Formula funding	$ 221,284,800	$ 226,549,775	$ 214,795,969
Provincial initiatives	2,144,000	1,670,036	1,432,204
Capital grants	1,126,900	1,377,624	1,755,169
French special projects	142,400	159,394	107,502
Other	1,153,000	1,626,465	566,446
	$ 225,851,100	$ 231,383,294	$ 218,657,290
Halifax Regional Municipality			
Mandatory	$ 67,600,300	$ 67,600,303	$ 63,725,904
Government of Canada			
Adult ESL	$ 711,400	$ 713,408	$ 769,233
Minority official language	244,900	306,209	206,407
French special projects	342,300	413,297	298,754
Other	585,900	738,735	763,762
	$ 1,884,500	$ 2,171,649	$ 2,038,156
Board operations			
Investment income	$ 260,000	$ 598,821	$ 374,079
FLEC's fees	309,600	297,915	225,655
Summer school fees	135,000	111,437	136,104
Facilities rental	561,400	739,998	601,588
EXCEL program fees	2,000,000	1,953,460	1,876,794
International students	840,800	923,367	641,435
Other	200,700	256,533	449,795
	$ 4,307,500	$ 4,881,531	$ 4,305,450
Transfer from reserves	$ ---	$ 2,752,541	$ 857,171
Total revenue	$ 299,643,400	$ 308,789,318	$ 289,583,971

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Detail of Expenditure
Year Ended March 31, 2004

	2004		2003
	Budget	Actual	Actual
School Administration			
Board Administration			
Salaries	$ 1,304,000	$ 1,421,823	$ 1,993,207
Benefits	80,100	99,997	163,450
Supplies and materials	49,400	60,456	77,557
Other	37,400	53,314	67,575
	1,470,900	1,635,590	2,301,789
Instruction			
Teachers salaries	139,577,900	138,689,699	135,651,295
Substitutes	8,295,100	8,822,317	7,384,602
Benefits	10,214,900	16,682,388	12,972,299
	158,087,900	164,194,404	156,008,196
Special Education			
Teachers salaries	13,550,800	13,388,091	13,549,273
Educational program assistants	12,892,000	12,668,599	11,432,086
Benefits	3,795,800	3,835,376	3,474,845
Travel	25,000	24,681	35,332
	30,263,600	29,916,747	28,491,536
Student Support			
Salaries	1,331,200	1,405,590	---
Benefits	103,800	75,951	---
	1,435,000	1,481,541	---
Program Support Resources			
School based and centrally managed materials	3,011,500	2,660,768	2,645,476
Equipment	648,700	121,956	531,967
Telephones, data and fax lines	882,000	929,558	823,455
Technology	250,000	332,403	221,165
Textbook credit allocation	2,843,000	2,840,749	2,817,422
Grants	395,000	381,920	553,289
Travel	180,000	195,987	219,651
	8,210,200	7,463,341	7,812,425
Library and Guidance			
Teachers' salaries - guidance	3,296,700	3,148,597	3,484,366
Teachers' salaries - library	838,400	811,443	682,881
Library technicians	243,900	244,595	234,757
Benefits	316,200	310,020	320,709
	4,695,200	4,514,655	4,722,713
Teacher Administrators			
Salaries	14,857,700	14,947,460	14,940,249
Benefits	764,800	811,858	811,210
	15,622,500	15,759,318	15,751,459

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Detail of Expenditure (continued)
Year Ended March 31, 2004

	2004		2003
	Budget	Actual	Actual
Program Support Staff			
School secretaries	$ 4,283,000	$ 4,187,369	$ 3,956,198
Security	130,900	72,021	120,304
Lunch and bus monitors	850,000	799,608	665,965
Benefits	970,600	902,738	831,518
	6,234,500	5,961,736	5,573,985
Professional Development	159,700	59,529	113,182
International Students Program	579,400	542,048	512,206
Community Education Projects	842,500	882,095	611,743
	$ 227,601,400	$ 232,411,004	$ 221,899,234
Program			
Board Administration			
Salaries	$ 2,312,800	$ 2,014,170	$ 1,177,854
Benefits	145,000	147,460	78,324
Supplies and materials	95,400	109,980	45,782
Other	71,000	53,844	35,811
	2,624,200	2,325,454	1,337,771
Special Education			
Salaries	3,335,600	3,298,118	2,192,177
Benefits	245,200	242,999	141,467
Supplies and materials	847,800	441,134	229,185
	4,428,600	3,982,251	2,562,829
Student Support			
Salaries	292,400	216,318	66,830
Benefits	11,600	9,804	3,519
Contracted services	175,000	11,417	—
Other	50,000	41,889	703
	529,000	279,428	71,052
Program Support Resources	411,200	449,764	336,695
Professional Development	2,061,200	1,618,547	1,389,474
	$ 10,054,200	$ 8,655,444	$ 5,697,821

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Detail of Expenditures (continued)
Year Ended March 31, 2004

	2004		2003
	Budget	Actual	Actual
Regional Board Management			
Board Members			
Honoraria	$ 114,600	$ 115,443	$ 113,330
NSSBA dues	146,200	146,182	146,182
Travel and conferences	56,000	39,799	43,249
Other	36,000	49,869	45,365
	352,800	351,293	348,126
Board Administration			
Salaries	1,128,200	1,152,054	996,448
Benefits	134,900	125,144	94,017
Supplies and materials	404,000	376,704	279,429
Professional services	400,000	361,336	406,934
Travel	25,000	33,624	25,453
	2,092,100	2,048,862	1,802,281
	$ 2,444,900	$ 2,400,155	$ 2,150,407
Financial Services			
Board Administration			
Salaries	$ 1,400,400	$ 1,354,264	$ 1,301,759
Benefits	229,400	222,768	206,242
Supplies and materials	97,000	103,247	104,543
Liability insurance	376,000	249,614	298,836
Professional services	40,000	23,318	55,420
Service contracts	291,600	289,244	(133,103)
Other	30,000	23,532	22,508
	2,464,400	2,265,987	1,856,205
Student Transportation	11,655,300	11,440,760	11,737,891
Technology Services			
Salaries	864,900	900,954	759,448
Benefits	153,900	167,380	136,884
Supplies and materials	384,900	436,913	415,609
IEIE - non-salary expenses	176,000	180,232	173,471
Other	196,000	166,941	154,041
	1,775,700	1,852,420	1,639,453
EXCEL program			
Salaries	1,452,600	1,276,086	1,121,593
Benefits	136,600	113,775	89,172
Supplies and materials	129,300	115,875	95,597
Other	62,500	34,508	44,049
	1,781,000	1,540,244	1,350,411

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Detail of Expenditure (continued)
Year Ended March 31, 2004

	2004 Budget	2004 Actual	2003 Actual
Facilities Rentals			
Salaries	$ 467,600	$ 429,268	$ 410,874
Benefits	60,400	29,808	23,806
Supplies and materials	6,800	5,681	4,813
	534,800	464,757	439,493
Adult ESL	711,400	713,408	769,233
	$ 18,922,600	$ 18,277,576	$ 17,792,686
School Facilities			
Board Administration			
Salaries	$ 1,264,700	$ 1,280,533	$ 950,262
Benefits	197,700	259,691	93,556
Other	127,000	164,832	109,327
	1,589,400	1,705,056	1,153,145
Custodial Services			
Salaries	11,060,600	10,859,257	9,935,068
Benefits	2,518,400	2,532,894	2,327,042
Supplies and equipment	738,000	852,898	918,157
Building rent expense	145,000	83,845	105,384
Contracted services			
Snow removal	825,000	1,437,710	917,729
Garbage	499,300	455,636	558,103
Grass cutting	175,000	178,043	176,866
P3 school maintenance	235,000	157,031	205,164
Other	15,000	1,137	32,088
	16,211,300	16,558,451	15,175,601
Maintenance Services			
Salaries	1,838,200	1,627,723	1,548,840
Benefits	424,300	357,300	353,314
Supplies and equipment	3,024,600	3,540,560	3,237,442
Vehicles	275,000	515,207	206,390
Contracted services	525,400	806,040	628,524
Relocation expenses	128,500	176,266	---
Other	11,300	2,464	8,066
	6,227,300	7,025,560	5,982,576
Plant Operations			
Insurance	650,000	776,965	519,281
Utilities			
Electricity	4,500,000	4,416,125	4,312,374
Heating fuel	3,915,000	3,344,824	3,386,874
Water/sewer	750,000	838,716	760,835
Telephone/fax/data	117,000	74,832	57,295
	9,932,000	9,451,462	9,036,659
Capital Repairs and Renovations	3,170,900	3,240,796	3,288,940
	$ 37,130,900	$ 37,981,325	$ 34,636,921

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Detail of Expenditure (continued)
Year Ended March 31, 2004

	2004		2003
	Budget	**Actual**	**Actual**
Human Resource Services			
Board Administration			
Salaries	$ 1,129,000	$ 1,124,620	$ 1,118,719
Benefits	155,700	147,670	154,388
Supplies and materials	103,000	126,268	143,227
Professional services	50,000	37,052	105,399
Telephones	27,000	19,105	22,426
Other	240,000	459,166	222,724
	1,704,700	1,913,881	1,766,883
Staff Development			
Sabbaticals	360,000	223,070	215,586
Professional development	1,240,000	1,021,003	1,541,977
	1,600,000	1,244,073	1,757,563
Summer School	130,000	99,168	113,412
Community Projects	54,700	45,974	77,494
	$ 3,489,400	$ 3,303,096	$ 3,715,352
Expenditure from reserves	$ ---	$ 2,752,541	$ 857,171
Total expenditures	$ 299,643,400	$ 305,781,141	$ 286,749,592

HALIFAX REGIONAL SCHOOL BOARD

Supplementary Fund - Halifax
Detail of Revenue and Expenditure
Year Ended March 31, 2004

	2004		2003
	Budget	Actual	Actual
Revenue			
Halifax Regional Municipality	$ 12,295,800	$ 12,294,997	$ 12,295,000
Expenditure			
School services			
Teachers' salaries			
Classroom	5,295,700	5,289,240	5,147,616
Special Ed	2,020,400	1,935,371	1,970,807
Guidance	72,900	64,967	61,790
Administrators	1,048,500	1,101,110	946,694
Substitutes	253,100	253,479	227,495
Non-teachers' salaries			
Educational program assistants	835,000	822,304	805,006
Library technicians	755,600	765,086	752,187
School secretaries	174,300	168,480	163,075
Student support workers	63,400	61,239	61,414
Benefits	1,042,900	959,877	927,383
Textbooks and classroom supplies	734,000	849,888	947,373
	12,295,800	12,271,041	12,010,840
Administration allocation	---	---	233,592
	12,295,800	12,271,041	12,244,432
Excess of revenue over expenditure	$ ---	$ 23,956	$ 50,568

	2004	2003
Surplus, beginning of year	$ 138,648	$ 88,080
Excess of revenue over expenditure	23,956	50,568
Surplus, end of year	$ 162,604	$ 138,648

HALIFAX REGIONAL SCHOOL BOARD

Supplementary Fund - Dartmouth
Detail of Revenue and Expenditure
Year Ended March 31, 2004

	2004		2003
	Budget	**Actual**	**Actual**
Revenue			
Halifax Regional Municipality	$ 5,239,200	$ 5,239,200	$ 5,239,200
Expenditure			
School services			
Teachers' salaries			
Classroom	2,248,700	2,255,413	2,307,093
Special Ed	790,800	794,451	730,930
Guidance	126,100	133,799	40,104
Administrators	137,800	159,915	130,687
Substitutes	99,100	99,221	88,760
Non-teachers' salaries			
Educational program assistants	362,700	339,794	347,417
Library technicians	429,900	413,018	388,224
School secretaries	97,000	93,030	97,389
Student support workers	31,300	34,396	30,430
Benefits	455,400	421,115	404,364
Textbooks and classroom supplies	388,000	389,103	519,291
	5,166,800	5,133,255	5,084,689
Student transportation	72,400	72,400	75,000
Administration allocation	—	—	99,504
	5,239,200	5,205,655	5,259,193
Excess (deficiency) of revenue over expenditure	$ —	$ 33,545	$ (19,993)
Surplus, beginning of year		$ 14,221	$ 34,214
Excess (deficiency) of revenue over expenditure		33,545	(19,993)
Surplus, end of year		$ 47,766	$ 14,221

HALIFAX REGIONAL SCHOOL BOARD

Supplementary Fund - Halifax County/Bedford
Detail of Revenue and Expenditure
Year Ended March 31, 2004

	2004		2003
	Budget	Actual	Actual
Revenue			
Halifax Regional Municipality	$ 3,312,000	$ 3,312,000	$ 3,312,000
Expenditure			
Centrally managed funds:			
Teachers' salaries			
Classroom	---	---	30,630
Special Ed	1,013,600	983,291	737,267
Substitutes	30,400	30,360	19,543
Non-teachers' salaries			
Educational program assistants	27,900	31,822	25,296
Benefits	82,900	72,367	65,097
	1,154,800	1,117,840	877,833
Family allocations:			
Budget allocated to families	2,157,200	---	---
Teachers' salaries			
Classroom	---	707,894	793,466
Special Ed	---	135,632	333,050
Teacher librarians	---	51,672	88,486
Administrators	---	80,776	17,535
Substitutes	---	4,482	32,872
Non-teachers' salaries			
Educational program assistants	---	92,525	189,733
Library technicians	---	586,640	480,052
School secretaries	---	98,851	93,989
Benefits	---	232,402	266,801
Textbooks and classroom supplies	---	110,899	70,689
	2,157,200	2,101,773	2,366,673
Administration allocation	---	---	62,904
	3,312,000	3,219,613	3,307,410
Excess of revenue over expenditure	$ ---	$ 92,387	$ 4,590
Deficit, beginning of year		$ (3,500)	$ (8,090)
Excess of revenue over expenditure		92,387	4,590
Surplus (deficit), end of year		$ 88,887	$ (3,500)

HALIFAX REGIONAL SCHOOL BOARD

Schedule of Trust Funds
March 31, 2004

	George Perrin	Christopher Maxwell	Abbie J. Lane	Doane Hatfield	Annie M. Piercey	James R. Pineo	Almar H. Shatford	Mengie Shulman	Harold T. Barrett
Cash	$ 326	$ 42	$ 1,223	$ 24	$ 511	$ 9,387	$ 866	$ 3,096	$ 941
Restricted cash	10,000	500	8,500	500	5,000	---	16,317	---	10,000
Due to Operating Fund	---	---	(951)	---	---	---	---	---	---
Investments	---	---	---	---	---	100,000	---	---	---
	$ 10,326	$ 542	$ 8,772	$ 524	$ 5,511	$ 109,387	$ 17,183	$ 3,096	$ 10,941
Equity Fund	$ 10,326	$ 542	$ 8,772	$ 524	$ 5,511	$ 109,387	$ 17,183	$ 3,096	$ 10,941
Balance, beginning of year	$ 10,549	$ 529	$ 9,456	$ 511	$ 5,376	$ 110,080	$ 16,760	$ 3,377	10,674
Interest earned	277	13	267	13	135	4,807	423	94	267
	10,826	542	9,723	524	5,511	114,887	17,183	3,471	10,941
Awards paid	(500)	---	(951)	---	---	(5,500)	---	(375)	---
Balance, end of year	$ 10,326	$ 542	$ 8,772	$ 524	$ 5,511	$ 109,387	$ 17,183	$ 3,096	$ 10,941

HALIFAX REGIONAL SCHOOL BOARD

Schedule of Trust Funds (continued)
March 31, 2004

	Carl & Rita Turner	Nick Oxner	John Travers Cornwell	Edith Cavell Prize	Donald Keith	Madeline LePage Godin	Spryfield Auxiliary	Ron Ruggles Memorial Fund	2003/2004 Total
Cash	$ 2,372	$ 5,032	$ 11,600	$ 2,177	$ 303	$ 2,881	$ 4	$ 812	$ 41,597
Restricted cash	---	---	---	—	7,023	5,000	---	---	62,840
Due to Operating Fund	---	---	---	—	---	---	---	---	(951)
Investments	---	---	---	---	---	---	---	---	100,000
	$ 2,372	$ 5,032	$ 11,600	$ 2,177	$ 7,326	$ 7,881	$ 4	$ 812	$ 203,486
Equity Fund	$ 2,372	$ 5,032	$ 11,600	$ 2,177	$ 7,326	$ 7,881	$ 4	$ 812	$ 203,486
Balance, beginning of year	$ 2,790	$ 5,356	$ 11,697	$ 2,124	$ 7,130	$ 7,683	$ 1,331	$ 1,274	206,697
Interest earned	82	146	303	53	196	198	64	38	7,376
	2,872	5,502	12,000	2,177	7,326	7,881	1,395	1,312	214,073
Awards paid	(500)	(470)	(400)	---	---	---	(1,391)	(500)	(10,587)
Balance, end of year	$ 2,372	$ 5,032	$ 11,600	$ 2,177	$ 7,326	$ 7,881	$ 4	$ 812	$ 203,486

AUDITOR'S REPORT

To the Shareholder of Highway 104
Western Alignment Corporation

We have audited the balance sheet of Highway 104 Western Alignment Corporation as at March 31, 2004, and the statements of earnings and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP
Chartered Accountants

Halifax, Canada
May 18, 2004

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Statements of Earnings and Deficit
Year Ended March 31, 2004

		Budget 2004		Actual 2004		Actual 2003
Revenue						
Facility revenue	$	14,294,860	$	14,717,403	$	13,864,445
Interest income		390,000		757,746		409,148
		14,684,860		15,475,149		14,273,593
Expenses						
Bondholder representative fees		164,000		103,536		100,544
Trustee fees		30,450		30,872		39,387
Salaries and benefits		154,160		118,190		166,887
Office		53,125		48,589		53,211
General and administrative		221,800		158,980		122,676
Enforcement		60,000		60,000		60,000
Independent engineer		50,000		60,172		31,686
Routine maintenance		880,600		850,849		709,594
Major maintenance		445,225		483,251		485,452
Facility operations		1,791,782		1,860,350		1,674,587
Transponders		53,700		66,694		71,558
		3,904,842		3,841,483		3,515,582
Earnings before other items		10,780,018		11,633,666		10,758,011
Other Items						
Government assistance amortization (Note 2)		1,204,817		1,204,817		1,147,444
Amortization and depreciation		(2,795,240)		(2,729,806)		(2,673,954)
Interest on long term debt		(8,408,201)		(8,443,686)		(8,376,608)
Net earnings	$	781,394	$	1,664,991	$	854,893

Deficit, beginning of year	$	(13,573,769)	$	(10,976,268)
Net earnings		1,664,991		854,893
Transfer to reserve for restricted assets (Note 9)		(3,824,241)		(3,452,394)
Deficit, end of year	$	(15,733,019)	$	(13,573,769)

See accompanying notes to the financial statements.

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Balance Sheet
March 31, 2004

ASSETS

	2004	2003
Cash and cash equivalents	$ 650,560	$ 498,108
Inventory	12,530	7,630
Prepaids (Note 3)	331,965	329,283
Receivables (Note 4)	72,180	80,907
Restricted assets (Note 5)	20,045,521	16,221,280
Facility (Note 6)	109,779,225	112,509,031
Deferred financing fees (Note 2)	535,965	571,399
	$ 131,427,946	$ 130,217,638

LIABILITIES

	2004	2003
Payables and accruals	$ 622,004	$ 664,495
Deferred revenue	618,398	581,874
Long term debt (Note 7)	82,852,815	82,096,714
Payable to the Province of Nova Scotia (Note 8)	250,000	250,000
Deferred government assistance (Note 2)	48,711,307	49,916,124
	133,054,524	133,509,207

SHAREHOLDERS' DEFICIENCY

	2004	2003
Capital stock, one no par value share issued and outstanding in favour of the Province of Nova Scotia	1	1
Reserve for restricted assets (Note 9)	14,106,440	10,282,199
Deficit	(15,733,019)	(13,573,769)
	(1,626,578)	(3,291,569)
	$ 131,427,946	$ 130,217,638

Commitments and contractual obligations (Note 12)

See accompanying notes to the financial statements.

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Statement of Cash Flows
Year Ended March 31, 2004

	2004	2003
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	$ 1,664,991	$ 854,893
Government assistance amortization	(1,204,817)	(1,147,444)
Capitalized interest on bonds (Note 7)	1,652,655	1,495,320
Amortization of deferred financing fees	35,434	35,434
Amortization and depreciation	2,729,806	2,673,954
	4,878,069	3,912,157
Change in non-cash operating working capital (Note 11)	(4,822)	406,781
	4,873,247	4,318,938
Financing		
Principal repayment on bonds	(896,554)	(806,236)
Investing		
Increase in restricted assets	(3,824,241)	(3,452,394)
Construction of facility	---	(44,940)
	(3,824,241)	(3,497,334)
Net increase in cash and cash equivalents	152,452	15,368
Cash and cash equivalents, beginning of year	498,108	482,740
Cash and cash equivalents, end of year	$ 650,560	$ 498,108

See accompanying notes to the financial statements.

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Notes to the Financial Statements
March 31, 2004

1. Nature of operations

The Corporation has been established for the purpose of financing, designing, constructing, operating and maintaining the Facility consisting mainly of a 45 km stretch of highway (referred to as the Highway 104 Western Alignment) between Masstown and Thomson Station in the Counties of Colchester and Cumberland, Nova Scotia.

2. Summary of significant accounting policies

Pre-operating and operating periods
The pre-operating period was the twenty month construction period commencing April 1, 1996 until the date of acceptance in November 1997. Operations began December 1, 1997.

Facility
The Facility consists of the highway referred to as the Highway 104 Western Alignment and the toll plaza constructed on the highway. The costs of the Facility include certified progress payments to the Facility's contractor, independent engineer fees, professional fees and interest costs incurred during the pre-operating period. These costs are being amortized commencing at the start of the operating period until March 31, 2026 using the sinking fund method with an annual compounding rate of 5%.

Also included in the Facility are computer equipment costs of $44,940. These costs are being amortized over three years under the straight line method.

Revenue recognition
The Corporation recognizes revenue at the time a vehicle utilizes the highway.

Deferred costs - financing fee
Financing, commitment and bondholder representative fees related to the establishment and placement of the senior and junior toll revenue bonds have been deferred and are being amortized to operations over the term of the related bond debt commencing at the start of the operating period.

Deferred government assistance
Government assistance provided by the Province of Nova Scotia has been recorded as a deferral and is being amortized to operations over thirty years commencing at the start of the operating period using the sinking fund method with an annual compounding rate of 5%.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less with the exception of restricted cash balances which are included in restricted assets. Bank borrowings are considered to be financing activities.

Use of estimates
In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

3. Prepaids

	2004	2003
Operating expenses	$ 36,235	$ 44,040
Advance to operator	295,730	285,243
	$ 331,965	$ 329,283

4. Receivables

	2004	2003
Harmonized Sales Tax	$ 45,372	$ 52,827
Other	26,808	28,080
	$ 72,180	$ 80,907

5. Restricted assets

	Cash	Investments	2004 Total	2003 Total
Senior debt service reserve account	$ 777	$ 5,711,444	$ 5,712,221	$ 5,787,904
Capital reserve account	509	10,574,792	10,575,301	7,401,878
Major maintenance reserve account	1,198	3,756,801	3,757,999	3,031,498
	$ 2,484	$ 20,043,037	$ 20,045,521	$ 16,221,280

Investments are recorded at cost, have a weighted average term of 10.14 (2003-14.79) months to maturity and a weighted average interest rate of 3.26% (2003-3.69%). The market value of the investments approximates the carrying value.

The following restricted accounts have been established in accordance to trust indenture agreements between the Corporation and the senior and junior bondholders and an Omnibus Agreement between the Corporation and the Province of Nova Scotia:

(i) The capital reserve account has been established to provide funds to pay the interest and principal on the senior and junior bonds and the subordinated notes. These funds are also available to pay the trustee and bondholders' representative fees to the extent they are not paid out of the project account. This account provides funding to the major maintenance reserve and the senior debt reserve accounts. The capital reserve account is funded from excess funds transferred from the project bank accounts of the Corporation.

(ii) The senior debt reserve account has been established to provide a reserve of funds to be available for payments as they come due for the senior toll revenue bonds. Funds can only be transferred from this fund when funds in the capital reserve account are insufficient to pay senior toll revenue bond payments. The account should maintain sufficient reserves equal to 12 months principal and interest payments due on the senior toll revenue bonds. The replenishment of the reserve comes from the capital reserve account.

(iii) The major maintenance reserve account has been established for the purpose of paying major maintenance repair and rehabilitation expenses. This reserve is funded from the capital reserve account in accordance with a maintenance budget recommended by the Independent Engineer through the terms of the major maintenance reserve fund agreement.

6. Facility

	Cost	Accumulated Depreciation	2004 Net book Total	2003 Net book Total
Facility	$ 124,667,559	$ 14,888,334	$ 109,779,225	$ 112,509,031

7. Long term debt

	2004	2003
Senior toll revenue bonds bearing interest at 10.13%, maturing March 31, 2026, repayable in partial interest payments from June 30, 1998 until March 31, 2006 and then 80 equal blended quarterly payments of interest and principal of $2,251,191. Interest from the date of issue has been capitalized as part of the principal and continued to be fully capitalized until June 30, 1998. As security, the Corporation has provided an assignment of all the present and future property and assets, including rights to operate the Facility, a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.	$ 73,038,579	$ 71,385,924
Junior toll revenue bonds bearing interest at 10.76%, maturing March 31, 2011, repayable in interest payments only from June 30, 1998 until March 31, 2001 and then 40 equal blended quarterly payments of principal and interest of $503,395. Interest from the date of issue has been capitalized as part of the principal and continued to be capitalized until June 30, 1998. As security, the Corporation has assigned a second charge security interest in all security pledged to senior toll revenue bondholders.	9,814,236	10,710,790
	$ 82,852,815	$ 82,096,714

Minimum principal repayments required are as follows:

2005	$ 996,970
2006	1,108,652
2007	2,498,137
2008	2,769,342
2009	3,071,719

The combined fair value of the Corporation's long term debt, as comprised by senior and junior toll revenue bonds, is $104,827,000 (2003 - $100,579,000) and is determined using cash flows discounted at a rate equal to the prevailing market rate of interest for financial instruments having substantially the same terms and characteristics.

8. Payable to the Province of Nova Scotia

On the date of acceptance, the Province advanced $250,000 to the Corporation to facilitate the Provincial subsidy. Under the First Amendment to the Omnibus Agreement, the Province reduced the tolls for transponder users and created a Provincial subsidy payable to the Corporation to offset the reduction. The advance is to be repaid to the Province on the earlier of the date when the toll rates are reinstated to the original rates as laid out in the Omnibus Agreement or when the Corporation has fully extinguished its obligations under the Senior and Junior Bond Indentures.

9. Reserve for restricted assets

The capital reserve account is to be funded from excess funds in the Project Bank Account. In addition, any interest earned on restricted assets forms part of the reserve account.

	2004	2003
Reserve for restricted assets, beginning of year	$ 10,282,199	$ 6,829,805
Transfers from project account	11,255,000	10,920,000
Interest income	739,970	395,337
Long term debt payments, including interest	(7,652,151)	(7,652,141)
Major maintenance payments, including HST to be recovered	(518,578)	(210,802)
	3,824,241	3,452,394
Reserve for restricted assets, end of year	$ 14,106,440	$ 10,282,199

10. Financial instruments

The Corporation's financial instruments consist of prepaids, receivables, restricted assets, payables and accruals, amount payable to the Province of Nova Scotia, deferred revenue and long term debt. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Corporation estimates the fair value of its financial instruments to approximate their carrying values with the exception of long term debt as outlined in Note 7 to the financial statements.

11. Supplemental cash flow information

	2004	2003
Change in non-cash operating working capital		
Inventory	$ (4,900)	$ 14,190
Prepaids	(2,682)	35,325
Receivables	8,727	121,043
Payables and accruals	(42,491)	179,530
Deferred revenue	36,524	56,693
	$ (4,822)	$ 406,781
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	$ 650,560	$ 498,108
Interest paid	$ 6,755,597	$ 6,845,904

12. Commitments and contractual obligations

The Corporation has entered into the following agreements to finance, design, construct, operate and maintain the Highway 104 Western Alignment:

- **Omnibus Agreement**
  Agreement dated April 1, 1996, between the Corporation, the Contractor, the Operator and the Province of Nova Scotia to design, finance, construct, operate and maintain the Highway 104 Western Alignment. This agreement acknowledges that the Corporation has entered into a Design Build Agreement and an Operating Agreement to fulfil its obligations to the Province.

  Under this agreement, the Province of Nova Scotia retains ownership of the Facility, however, the Corporation is granted the right to operate and collect tolls for a thirty year period, at which time this right will revert back to the Province.

  The Province contributed $55,000,000 to the project.

- **Operating Agreement**
  Agreement dated May 22, 1996 between the Corporation and Atlantic Highways Management Corporation (the Operator) whereby the Operator is required to operate the Facility which includes the toll collection system, toll plaza and the administration building.

  Operator compensation is based on the annual operating budget plus a variable fee, subject to adjustment under certain conditions, equal to 10% of the total annual budget.

- **Major Maintenance Reserve Fund Agreement**
  Agreement between the Corporation, the Trustee and the Bondholders' Representative to provide for the major maintenance work required during the operating period of the Facility. The Agreement requires the Corporation, on an annual basis, to engage an independent engineer to report on all major maintenance work to be completed in the upcoming year, as well as a major maintenance budget to determine the required annual amount to be deposited in the Major Maintenance Reserve Account. The maximum annual fee is $50,000. The agreement with the independent engineer was renewed for a one year term in November 2003.

The estimated deposits required to fund anticipated major mainenance for the next five years are as follows:

2005	$	700,000
2006		700,000
2007		700,000
2008		700,000
2009		825,000

- **Annual Roadway Maintenance Agreement**
  The five year agreement, renewed March 3, 2004, between the Corporation and the Department of Transportation and Public Works of the Province of Nova Scotia to provide annual roadway maintenance services for an annual fee of $830,600 and subsequently adjusted thereafter for inflation.

  During the year, the Corporation incurred management fees of $22,539 (2003 - $35,000) from the Province of Nova Scotia.

- **Other**
  The Corporation had also entered in various operating lease agreements for equipment and office space. The minimum lease payments for the next two years are as follows:

2005	$	27,348
2006		18,232

13. **Comparative figures**
    Certain of the prior year figures have been reclassified to conform with the financial statements presentation adopted for the current year.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and

To the Minister of Economic Development

I have audited the balance sheet of the Industrial Expansion Fund as at March 31, 2004, and the statements of continuity of fund for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As outlined in note 2 to the financial statements, administrative expenses, expenses related to the change in the provision for possible losses on assistance and possible payments on guarantees, revenues earned on guarantees, accrued loan interest, and interest and other income earned on loans are not reflected in the financial statements of the Fund. Furthermore, a statement of cash flows is not provided and payments receivable within one year are not segregated and classified as current assets in the financial statements. The effect on the financial statements of not recording or disclosing these matters is not determinable.

In my opinion, except for the effects of the failure to record or disclose the matters as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2004 and the continuity of fund for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 28, 2004

INDUSTRIAL EXPANSION FUND

Balance Sheet
March 31, 2004

(in thousands)

ASSETS

	2004	2003
Financial assets, at cost		
Loans - Industrial Development Act	$ 49,507	$ 50,693
Loans - Venture Corporations Act (Note 4)	809	809
Royalty rights (Note 5)	276	9,618
Shares (Note 6)	8,394	8,395
	58,986	69,515
Less: Provision for concessionary assistance (Note 7)	22,159	18,624
Allowance for doubtful accounts	5,743	14,755
	27,902	33,379
	31,084	36,136
Due from consolidated fund		
Guarantees (Note 8)	158,661	126,266
Less: Provision for payment under guarantees	766	566
	157,895	125,700
Assistance authorized but unadvanced	10,321	1,747
	168,216	127,447
	$ 199,300	$ 163,583

FUNDING AUTHORIZED AND COMMITTED

	2004	2003
Authorized, net of write-offs		
Industrial Development Act	$ 259,881	$ 269,683
Venture Corporations Act	4,408	4,408
	264,289	274,091
Less: Provision for concessionary assistance and possible losses on assistance (Note 9)	28,668	33,945
Net fund balance	235,621	240,146
Less: Uncommitted balance of fund	36,321	76,563
	$ 199,300	$ 163,583

Contingencies (Note 10)

See accompanying notes to the financial statements.

INDUSTRIAL EXPANSION FUND

Statement of Continuity of Fund
Under the Industrial Development Act

March 31, 2004

	2004	2003
	(in thousands)	
Balance, beginning of year	$ 269,683	$ 297,086
Deduct: Accounts written off	9,802	27,403
Balance, end of year	$ 259,881	$ 269,683
Comprising:		
Loans receivable, shares, rights and other assets	$ 58,177	$ 68,706
Guarantees in effect and utilized	136,346	109,166
Loans and other investments authorized but unadvanced and guarantees in effect but not utilized	32,636	18,847
Uncommitted balance	32,722	72,964
	$ 259,881	$ 269,683

Statement of Continuity of Fund
Under the Venture Corporations Act

March 31, 2004

	2004	2003
	(in thousands)	
Balance, beginning of year	$ 4,408	$ 4,408
Deduct: Accounts written off	---	---
Balance, end of year	$ 4,408	$ 4,408
Comprising:		
Loans advanced	$ 809	$ 809
Uncommitted balance	3,599	3,599
	$ 4,408	$ 4,408

See accompanying notes to the financial statements.

INDUSTRIAL EXPANSION FUND

Notes to the Financial Statements
March 31, 2004

1. Authority

The Industrial Expansion Fund was established under the Industrial Development Act. The Fund is used for the purposes of establishing, assisting, developing or expanding industries in the Province. All assistance provided by the Fund is required to be approved by Order in Council.

Effective November 6, 2001, pursuant to Order in Council 2001-523, administrative responsibility for the Industrial Expansion Fund was assigned to Nova Scotia Business Inc., a corporation formed under the Nova Scotia Business Incorporated Act. The Fund's account and assistance management activities are performed by staff of the Office of Economic Development.

2. Accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by paragraphs (a), (b), and (c) below.

Administrative Expenses and Interest Revenue

(a) Administrative expenses of the Fund and expenses relating to the change in the provision for possible losses on assistance and possible payments on guarantees are included in the accounts of the Office of Economic Development and are not reflected in the financial statements of the Fund. Revenues earned on guarantees are included in the accounts of the Office of Economic Development and are not reflected in the financial statements of the Fund. In addition, accrued loan interest is not recognized as a receivable in the financial statements of the Fund. Interest and other income earned on loans and shares included in the accounts of the Department of Finance and are not reflected in the financial statements..

Statement of Cash Flows

(b) A statement of cash flows is not provided since disclosure in the statements of continuity of the funds and the balance sheet are considered adequate.

Current assets

(c) Payments receivable within one year of the balance sheet date are not segregated and classified as current assets.

Provision for Concessionary Assistance

(d) The Fund provides for the effect of the decrease in valuation of certain loans and shares due to assistance being provided with concessionary terms.

Allowance for Doubtful Accounts

(e) The Fund provides for possible losses on guarantees authorized, loans receivable, shares and other assets on an item-by-item basis.

Royalty rights

(f) Royalty rights are valued at cost. The value of these rights is assessed annually by estimating the net present value of anticipated cash flows. If the carrying value of the right exceeds the net present value of future cash flows, the right is written down to the net present value.

Use of estimates

(g) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Fair values of financial instruments

The fair values of loans receivable approximate their net realizable value.

Equity investments, loan guarantees and other assets represent investments and guarantees in privately held companies. Due to the limited amount of comparable market information available it is not practical to determine the fair value of these assets.

4. Venture Corporation Act

The Venture Corporations Act was assented to June 5, 1980 and came into force January 28, 1981. This Act was enacted to provide a means of encouraging investment in small businesses in Nova Scotia.

A company that qualifies as a venture corporation may receive loans under this Act. Loan proceeds must be used to purchase shares or grant unsecured loans to eligible small businesses. Principal repayments and accrual of interest are not required to commence until the tenth anniversary of such loans.

The Act directs that money provided shall be financial assistance within the meaning of the Industrial Development Act, and payments made pursuant to the Act shall be made out of the Industrial Expansion Fund.

During the year no payments (2003 - NIL) were received.

		2004		2003
				(in thousands)
Loans made to venture corporations	$	809	$	809
Less: Allowance for doubtful accounts		809		809
	$	---	$	---

5. Royalty rights

Certain investments of the Fund are royalty agreements that provide a return in the form of royalty payments. The royalty payments are based upon net sales of the companies.

6. Shares

	2004	2003
	(in thousands)	
Preferred shares	$ 4,762	$ 4,763
Common shares	3,632	3,632
	$ 8,394	$ 8,395

Shares are recorded at cost. Any provision for the decline of fair market value below the cost of shares has been included in the allowance for doubtful accounts.

7. Provision for concessionary assistance

The provision for concessionary assistance is the difference between the net present value at year end of the anticipated future repayments to be received by the Fund and the amount of assistance advanced to an economic entity on the usual established commercial terms of the Fund.

The terms of concessionary assistance through the Fund include low interest rates, extended repayment terms and forgiveness clauses. This assistance is recorded at cost and reduced by the Provision for Concessionary Assistance. Any adjustments to or recovery of the net present value of this assistance in subsequent years is reflected in the Provision for Concessionary Assistance. The assistance outstanding, provision for concessionary assistance and net book value related to each of loans and shares is as follows:

	2004			2003
	(in thousands)			
	Assistance Outstanding	Provision for Concessionary Assistance	Net Book Value	Net Book Value
Loans	$ 29,789	$ 21,259	$ 8,530	$ 11,067
Shares	2,763	900	1,863	1,863
	$ 32,552	$ 22,159	$ 10,393	$ 12,930

8. Guarantees

	2004	2003
	(in thousands)	
Guarantee - in effect and utilized	$ 136,346	$ 109,166
Guarantee - in effect but not utilized	22,315	17,100
	$ 158,661	$ 126,266

During the year, one guarantee of $900,000 was paid out (2003 - $4,692,744).

9. Provision for concessionary assistance and possible losses on assistance

The following is a continuity of the provision:

	2004	2003
	(in thousands)	
Balance, beginning of year	$ 33,945	$ 57,389
Add current year provision	4,525	3,959
Less accounts written off	9,802	27,403
Balance, end of year	$ 28,668	$ 33,945

10. Contingencies

The Fund has entered into agreements which provide for the funding of expenditures incurred by third parties in respect of environmental remediation of contaminated sites. Estimates of the amount of future costs, if any, under these agreements cannot be made with any certainty and are not reflected in the financial statements.

11. Related party transactions

The Fund had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements:

(a) The Fund provided a guarantee in the amount of $20,400,000 to the Nova Scotia Government Fund. At March 31, 2004, the Fund had dispersed $18,200,000 (2003 - $11,900,000) in accordance with this guarantee. The guarantee has been provided on terms and conditions that would be similar to those of non-related parties.

(b) The Fund enters into transactions with other government departments, agencies and corporations in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

12. Credit risk

Credit risk is the risk that a debtor may not pay amounts owing, thus resulting in a loss. To mitigate this risk, the Fund regularly monitors entities to whom financial assistance has been provided. In addition to its regular monitoring procedures, at year-end, management performed an analysis of a number of accounts in order to assess the Fund's total exposure to credit and other risks. Factors such as the financial condition of the client were evaluated to determine how risk has changed since inception of the financial assistance, or the last analysis. Changes in risk are reflected in the carrying value of the assistance via theprovision for concessionary assistance, the allowance for doubtful accounts and the provision for payment under guarantees.

AUDITORS' REPORT

To the Minister of Health

We have audited the statement of financial position of the Province of Nova Scotia Insured Prescription Drug Plan Trust Fund as at March 31, 2004, and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Department of Health's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the Province of Nova Scotia Insured Prescription Drug Plan Trust Fund as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP
Chartered Accountants

Halifax, Nova Scotia
May 25, 2004

INSURED PRESCRIPTION DRUG PLAN TRUST FUND

Statement of Operations
year ended March 31, 2004

		2004		2003
Revenue				
Seniors				
Premiums paid by seniors (Note 2)	$	14,030,479	$	13,828,116
Co-payments to pharmacies		23,168,233		23,091,227
		37,198,712		36,919,343
Department of Health		96,473,925		86,410,548
Investment Income		289,368		339,423
		133,962,005		123,669,314
Expenses				
Provider Claims (Note 2)		133,962,005		123,669,314
Excess of revenue over expenses	$	—	$	—

Statement of Financial Position
March 31, 2004

		2004		2003
ASSETS				
Cash and cash equivalents	$	—	$	7,434,013
Receivables				
Seniors		252,338		463,037
Low income trust fund		—		17,660
Publicly funded nursing homes		1,703,802		1,625,786
Other		29,475		—
Investments (Note 2)		5,392,311		5,693,388
	$	7,377,926	$	15,233,884

LIABILITIES

		2004		2003
Bank indebtedness	$	3,066,684	$	—
Payables and accruals		1,447,268		5,674,379
Payable to Department of Health (Note 3)		387,138		1,169,063
Unearned Premiums		2,476,836		8,390,442
	$	7,377,926	$	15,233,884

See accompanying notes to the financial statements.

INSURED PRESCRIPTION DRUG PLAN TRUST FUND

Statement of Cash Flows
March 31, 2004

	2004	2003
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenses	$ —	$ —
Changes in non-cash operating working capital		
Receivables	120,868	(99,237)
Payables and accruals	(4,227,111)	942,238
Unearned premiums	(5,913,606)	532,377
	(10,019,849)	1,375,378
Financing		
Repayment of excess advances from Department of Health	(781,925)	(410,548)
Investing		
Proceeds on sale of investments, net	301,077	2,800,572
Net (decrease) increase in cash and cash equivalents	(10,500,697)	3,765,402
Cash and cash equivalents (bank indebtedness)		
Beginning of year	7,434,013	3,668,611
End of year	$ (3,066,684)	$ 7,434,013

See accompanying notes to the financial statements.

INSURED PRESCRIPTION DRUG PLAN TRUST FUND

Notes to the Financial Statements
March 31, 2004

1. Purpose of organization

Seniors' Pharmacare is a voluntary prescription drug insurance plan established, effective April 11, 1995, by Order-in-council 2000-471 effective April 11, 2000. Contributions made by seniors and government of Nova Scotia are placed in the Province of Nova Scotia Insured Prescription Drug Plan Trust Fund (the Fund) and are used to pay Seniors' Pharmacare program costs. Principle features of the Pharmacare program are:

- Participation in the Pharmacare program is optional. Eligible seniors must be 65 years of age and not already have coverage under government programs or primary drug coverage through a contract of insurance.
- Eligible seniors are required to pay a maximum annual premium of $336 plus a co-payment fee of 33% of prescription costs to a maximum of $30 for each drug or supply (effective April 1, 2003) to a maximum of $350 per year. Annual premiums are waived for low-income seniors.
- The Department of Health is responsible for funding program costs net of recoveries from seniors and other income.

2. Summary of significant accounting policies

Premium revenues
Premium revenues are recorded on the accrual basis.

Claim expenses
Claim expenses are recorded on the accrual basis. Claims, submitted by providers, are subject to audit by the program administrators. Any adjustments to claims as a result of these audits are recorded in the year of settlement.

Administration of program
Atlantic Blue Cross Care administers Seniors' Pharmacare on behalf of the Department of Health, on a cost recovery basis. Administration costs for the year are paid by the Province of Nova Scotia and are not reported in these financial statements.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances with banks, net of indebtedness and short term deposits with original maturities of three months or less.

Investments
Investments consist of government and corporate bonds, and short term investments. All investments are carried at cost which approximates market value.

Investments have a 0% coupon rate and mature May 4, 2004.

Use of estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

Financial instruments

The Fund's financial instruments consist of cash and cash equivalents, receivables, investments, and payables and accruals. Unless otherwise noted, it is management's opinion that the Fund is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

3. Payable to the Department of Health

This payable consists primarily of excess funding from the Department of Health at year end as follows:

		2004		2003
Payable to Department of Health, beginning of year	$	1,169,063	$	1,579,611
Add: Payments from Department of Health		95,692,000		86,000,000
Less: Net program expenses		(96,473,925)		(86,410,548)
Payable to Department of Health, end of year	$	387,138	$	1,169,063

AUDITORS' REPORT

To the Board of The Izaak Walton Killam Health Centre

We have audited the balance sheet of The Izaak Walton Killam Health Centre as at March 31, 2004 and the statements of operations, fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Health Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Health Centre as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP
Chartered Accountants

Halifax, Nova Scotia
May 21, 2004

THE IZAAK WALTON KILLAM HEALTH CENTRE

Statement of Operations
Year Ended March 31, 2004

		2004		2003
Revenue				
Inpatient, outpatient and clinics	$	120,167,000	$	111,572,000
Department of Community Services		2,485,000		2,457,000
Rentals, recoveries and sales		5,957,000		5,415,000
Mental health		8,822,000		6,732,000
Grants from Health Centre Foundations		150,000		397,000
		137,581,000		126,573,000
Expenses				
Children's acute and continuing care		20,876,000		19,988,000
Children's acute and emergency care		18,987,000		17,994,000
Maternal and newborn health		28,122,000		27,055,000
Mental health services		10,808,000		9,390,000
Women's health		5,058,000		5,159,000
Professional and academic		15,726,000		14,751,000
Operations and support		34,233,000		29,528,000
Executive offices and administration		1,002,000		853,000
Non portable		1,098,000		971,000
		135,910,000		125,689,000
Net income from operations	$	1,671,000	$	884,000

See accompanying notes to the financial statements.

THE IZAAK WALTON KILLAM HEALTH CENTRE

Balance Sheet
March 31, 2004

	2004	2003
ASSETS		
Current		
Cash and cash equivalents	$ 23,164,000	$ 13,033,000
Receivables (Note 3)	10,555,000	10,337,000
Receivable from the Health Centre Foundations	14,000	361,000
Inventories	1,220,000	1,085,000
Prepaids	768,000	814,000
	35,721,000	25,630,000
Retirement allowance receivable (Note 9)	9,138,000	7,439,000
Property and equipment (Note 4)	116,752,000	107,748,000
	$ 161,611,000	$ 140,817,000
LIABILITIES		
Current		
Payables and accruals (Note 5)	$ 18,641,000	$ 17,182,000
Deferred revenue - DOH advance	5,084,000	4,697,000
Current portion of facilities loan payable (Note 7)	446,000	---
	24,171,000	21,879,000
Retirement allowances (Note 9)	9,138,000	7,439,000
Facilities loan payable (Note 7)	15,446,000	---
Appropriations and reserves (Note 8)	6,464,000	5,304,000
	55,219,000	34,622,000
FUND BALANCES (Page 213)		
Capital Fund	106,392,000	106,195,000
	$ 161,611,000	$ 140,817,000

See accompanying notes to the financial statements.

THE IZAAK WALTON KILLAM HEALTH CENTRE

Statement of Fund Balances
Year Ended March 31, 2004

	2004	2003
Capital Fund		
Balance, beginning of year	$ 106,195,000	$ 105,952,000
Funding for capital additions		
Specified donations for equipment	364,000	335,000
Transfers from operations	1,671,000	884,000
Transfer from appropriations and reserves	5,722,000	6,411,000
	7,757,000	7,630,000
Capital debt repayment	---	(225,000)
Depreciation	(7,560,000)	(7,162,000)
	(7,560,000)	(7,387,000)
Balance, end of year	$ 106,392,000	$ 106,195,000

	2004	2003
Operating Fund		
Balance, beginning of year	$ ---	$ ---
Net income from operations	1,671,000	884,000
Transfer to capital fund	(1,671,000)	(884,000)
Balance, end of year	$ ---	$ ---

See accompanying notes to the financial statements.

THE IZAAK WALTON KILLAM HEALTH CENTRE

Statement of Cash Flows
Year Ended March 31, 2004

		2004	2003
Increase (decrease) in cash and cash equivalents			
Operating			
Net income from operations	$	1,671,000 $	884,000
Change in non-cash operating working capital (Note 11)		2,886,000	4,090,000
		4,557,000	4,974,000
Financing			
Proceeds received on facilities loan payable		16,000,000	---
Principal repayments on facilities loan payable		(108,000)	---
Capital debt repayment		---	(225,000)
Specified donations for equipment		364,000	335,000
Transfers from appropriations and reserves		5,722,000	6,411,000
		21,978,000	6,521,000
Investing			
Purchase of property and equipment		(16,564,000)	(8,957,000)
Employee advances		160,000	(236,000)
		(16,404,000)	(9,193,000)
Net increase in cash and cash equivalents		10,131,000	2,302,000
Cash and cash equivalents			
Beginning of year		13,033,000	10,731,000
End of year	$	23,164,000 $	13,033,000

See accompanying notes to the financial statements.

THE IZAAK WALTON KILLAM HEALTH CENTRE

Notes to the Financial Statements
March 31, 2004

1. Purpose of Organization

The IWK Health Centre provides quality care for children, women and families in the three Maritime Provinces and beyond. It is a tertiary care health centre dedicated to family-centred care, education, research and health promotion. The IWK Health Centre offers a broad range of health services to women, children, and their families. The IWK Health Centre is committed to helping children and women in the Maritimes be the healthiest in the world.

The IWK Health Centre is a not-for-profit organization under the Income Tax Act.

2. Summary of significant accounting policies

Use of estimates
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances with banks and a promissory note with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Inventories
Inventories are valued at the lower of cost and replacement cost.

Property and equipment
Property and equipment assets are stated at cost. Depreciation is provided on the straight-line basis over the expected useful life of the asset as determined by the Canadian Hospital Accounting Manual:

Buildings and service equipment	2% to 5%
Major equipment	5% to 20%

Appropriations and reserves
Appropriations and reserves represent the balance of unexpended funds allocated for approved research, capital equipment and special purposes.

Donations
Specified donations transferred from the Foundations are recorded as direct additions either to appropriations and reserves or funds held in trust, depending on the source or specified purpose thereof.

Employee benefits
The Health Centre accrues the estimated liability for its retirement plan, which is payable to its employees in subsequent years in accordance with its policy. The retirement allowance is actuarially determined using the projected benefit method prorated on service.

Financial instruments
The Health Centre's financial instruments consist of cash, receivables, payables and accruals, facilities loan payable, and deferred revenue. Unless otherwise noted, it is management's opinion that the Health Centre is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying value unless otherwise noted.

3. Receivables

	2004	2003
Patients and other accounts receivable, net of allowance for doubtful accounts of $175,000 (2003 - $169,000)	$ 5,207,000	$ 5,054,000
Nova Scotia Department of Health year end adjustments	5,348,000	5,283,000
	$ 10,555,000	$ 10,337,000

Year end adjustments are comprised of:

Accumulated deficit 1998/1999	1,112,000
Capital projects	2,870,000
Contract increases	640,000
Provincial Help Desk	245,000
Provincial HIS Project	236,000
Transition Support Program	122,000
NS Nursing Strategy - Continuing Education	102,000
Other	21,000
	$ 5,348,000

Of the total receivable from the Nova Scotia Department of Health, as of April 2004, $2,900,000 has been received.

4. Property and equipment

			2004	2003
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 4,598,000	$ ---	$ 4,598,000	$ 4,598,000
Building and service equipment	124,923,000	28,858,000	96,065,000	85,461,000
Major equipment	29,614,000	13,659,000	15,955,000	17,545,000
Group home	206,000	72,000	134,000	144,000
	$ 159,341,000	$ 42,589,000	$ 116,752,000	$ 107,748,000

5. Payables and accruals

	2004	2003
Trade payables	$ 8,138,000	$ 7,697,000
Accrued salaries and benefits	6,177,000	5,451,000
Funds held on behalf of others	4,326,000	3,809,000
Nova Scotia Department of Health	---	225,000
	$ 18,641,000	$ 17,182,000

6. Credit facility

The Health Centre has been approved for a line of credit of $2,000,000. At year end, no amount has been advanced on the line of credit from the Royal Bank (2003 - $Nil). Any outstanding amount is repayable on demand and bears interest at prime plus 3/4%.

7. Facilities loan payable

	2004	2003
Nova Scotia Department of Finance loan repayable in equal quarterly instalments of $338,133 at an interest rate of 5.76% per annum calculated semi-annually. First installment paid on March 1, 2004, with the final instalment due December 31, 2023. $	15,892,000 $	---
Less principal amounts payable within one year.	(446,000)	---
$	15,446,000 $	---

Principal amounts repayable within the next 5 years are as follows:

2005	$	446,000
2006		473,000
2007		501,000
2008		530,000
2009		561,000

The fair value of the facilities loan payable is not determinable as there are no comparable financial instruments available on the open market.

8. Appropriations and reserves

The following is a summary of the amounts in appropriations and reserves:

	2004	2003
Capital		
Equipment $	329,000 $	246,000
Capital campaign equipment	64,000	---
Capital campaign construction	1,978,000	949,000
Capital campaign undecided	63,000	49,000
	2,434,000	1,244,000
Board fellowship	372,000	308,000
Windsor fellowship.	---	90,000
Neonatal fellowship.	45,000	21,000
Research funds	3,613,000	3,641,000
$	6,464,000 $	5,304,000

The following is a summary of the continuity of appropriations and reserves:

	2004	2003
Balance, beginning of year. $	5,304,000 $	6,358,000
Grants from Health Centre Charitable Foundations	1,650,000	1,787,000
Department of Health funding.	3,920,000	2,040,000
Research funding	4,656,000	5,093,000
Capital campaign fund	1,316,000	929,000
Other funding	576,000	252,000
	12,118,000	10,101,000
Transfer to capital fund	(5,722,000)	(6,411,000)
Disbursements		
Research	(4,685,000)	(4,268,000)
Other	(551,000)	(476,000)
	(10,958,000)	(11,155,000)
Balance, end of year $	6,464,000 $	5,304,000

9. Retirement allowances

The Health Centre maintains a non-contributory retirement allowance program offered to employees. The most recent actuarial valuation was conducted as at December 31, 2003. The Province of Nova Scotia has assumed responsibility for funding this liability and a corresponding receivable has been recorded.

Information about the retirement allowance is as follows:

		2004		2003
Accrued benefit obligation				
Balance, beginning of year	$	7,439,000	$	6,794,000
Current service cost		645,000		458,000
Plan amendment		788,000		---
Interest cost		545,000		426,000
Amortization of experience gains/losses		3,000		(43,000)
Benefits paid		(282,000)		(196,000)
Balance, end of year	$	9,138,000	$	7,439,000
Funded status - plan deficit	$	(9,580,000)	$	(7,469,000)
Unamortized net actuarial loss (gain)		442,000		30,000
Accrued benefit liability recognized	$	(9,138,000)	$	(7,439,000)

The Health Centre's net expense for the retirement allowance is as follows:

Retirement allowance	$	1,981,000	$	841,000

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2004:

Discount rate	6.17%
Rate of compensation increase	3.65 - 6.15%
Termination rates	1.2 - 20%

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date, which is their 65th birthday.

A retirement allowance is paid in respect of employees who die prior to retirement and, therefore, the mortality rates in accordance with the Group Annuity Mortality Table for 1994 were utilized.

10. Pension plan

The Health Centre participates in a multi-employer plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2000 and indicates a funding surplus. The Health Centre's pension expense for the year amounted to $5,210,000 (2003 - $4,357,000).

11. Supplement cash flow information

	2004	2003
Change in non-cash operating working capital:		
Receivables	$ (378,000)	$ 2,607,000
Receivable from Health Centre Foundations	347,000	556,000
Inventories	(135,000)	(29,000)
Prepaids	46,000	(146,000)
Payables and accruals	1,459,000	1,746,000
Deferred revenue	387,000	410,000
Appropriations and reserves, net	1,160,000	(1,054,000)
	$ 2,886,000	$ 4,090,000
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	$ 13,081,000	$ 13,033,000
Promissory note receivable	10,083,000	---
	$ 23,164,000	$ 13,033,000

Included in cash and cash equivalents is $5,784,000 (2003 - $nil) in cash which is restricted for use towards the construction of a parkade and research facility.

12. Related party transactions

The Health Centre relies upon the IWK Health Centre Foundation to raise monies to assist them with the funding of research, capital renovations, capital equipment and specific programs not funded by the Department of Health. Funding received was allocated as follows:

	2004	2003
Capital equipment	$ 1,000,000	$ 1,087,000
Capital renovations	400,000	300,000
Research	1,200,000	816,000
Fellowships	300,000	400,000
Operating programs	100,000	397,000
Total grant	3,000,000	3,000,000
Specified fund allocations	3,006,000	4,392,000
Total funds received	$ 6,006,000	$ 7,392,000

Unaudited

LAW REFORM COMMISSION OF NOVA SCOTIA

Balance Sheet
as at March 31, 2004

ASSETS

Current Assets		
Petty Cash		$ 25.00
Bank Operating Account	267,349.20	
T-Bill Account	21,332.96	
Total Cash		288,682.16
Total Current Assets		288,707.16
Fixed Assets		
Computer Equipment	19,059.16	
Accum Computer Equipment	(19,059.16)	
Net Office Equipment.		—
Total Fixed Assets		—
Total Assets		$ 288,707.16

LIABILITIES

Current Liabilities		
Accrued Salary		$ 5,523.79
UIC Payable.	—	
CPP Payable	—	
Income Tax Payable	—	
Receiver General Payable		—
Accrued income		250,000.00
Total Current Liabilities		255,523.79
Total Liabilities		$ 255,523.79

EQUITY

Surplus	
Surplus Beginning of Year	35,614.05
Surplus Current Year	(2,430.68)
Accumulated Surplus	33,183.37
Total Equity	33,183.37
Liabilities and Equity	$ 288,707.16

Unaudited

LAW REFORM COMMISSION OF NOVA SCOTIA

Income Statement
as at March 31, 2004

Revenue		
Operating Income		
Dept. of Justice		$ —
NS Law Foundation Contribution		250,000.00
Interest Income		323.18
PYS (DO NOT USE)		—
Total Contributions		250,323.18
Total Revenue		250,323.18
EXPENSES		
Administrative Expenses		
Wages	171,278.33	
EI Expense	3,116.19	
CPP Expense	4,925.11	
Group Insurance Expense	8,250.37	
Total Personnel Related		187,570.00
Advertising		—
Non Legal Consultants Fees		—
Commissioners Fees & Expenses		2,301.73
Electrical Expense		1,175.29
Meeting Costs		790.77
Library		1,801.01
Accounting Fees		172.50
Membership Fees		1,479.82
Professional Fees		2,961.25
Computer Software/Supplies/Repairs		1,277.32
Internet		2,096.57
Staff Expenses		910.04
Rent	25,426.92	
Office Equipment Rental	3,861.79	
Insurance	607.00	
Total Premises Related		29,895.71
Office Supplies	3,334.16	
Parking	86.50	
Photocopy/Printing	6,627.57	
Postage & Courier	3,486.92	
Telephone Expense	3,941.15	
Travel/Conference/Workshop	2,518.55	
Total Office Related		19,994.85
Bank Charges		117.00
Miscellaneous		210.00
HST Paid on Purchases		—
HST Expense		—
Total Administration		252,753.86
Total Expense		252,753.86
Net Income		$ (2,430.68)

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia

I have audited the statement of net assets available for benefits and accrued pension benefits of the accounts established under the Members' Retiring Allowances Act as at March 31, 2004, and the statements of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Department of Finance. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits of the accounts established under the Members' Retiring Allowances Act as at March 31, 2004 and changes in net assets available for benefits for the period then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 31, 2004

MEMBERS' RETIRING ALLOWANCES ACT

Statement of Net Assets Available for Benefits and Accrued Pension Benefits as at March 31, 2004

	2004	2003
NET ASSETS AVAILABLE FOR BENEFITS		
Receivable from the Consolidated Fund		
Members' Retiring Allowance Account	$ 16,566,108	$ 16,822,836
Less: Accounts payable and accruals	3,200	8,000
	16,562,908	16,814,836
Members' Supplementary Retiring Allowance Account	45,151,684	45,013,751
Less: Accounts payable and accruals	4,800	12,000
	45,146,884	45,001,751
	$ 61,709,792	$ 61,816,587
ACCRUED PENSION BENEFITS OBLIGATIONS		
Members' Retiring Allowance Account (Note 3)	$ 16,562,908	$ 16,814,836
Members' Supplementary Retiring Allowance Account (Note 3)	45,146,884	45,001,751
	$ 61,709,792	$ 61,816,587

Statement of Changes in Net Assets Available for Benefits in the Members' Retiring Allowance Account for the year ended March 31, 2004

	2004	2003
Increase in Assets		
Interest	$ 1,410,645	$ 1,214,381
Contributions		
Members' - matched	242,924	221,256
Government - matched	242,924	221,256
Members' - unmatched	7,522	---
Government - unmatched	165,442	142,497
Total increase in assets	2,069,457	1,799,390
Decrease in Assets		
Allowances (pensions)	879,631	840,352
Refunds - contributions and interest	24,337	---
Professional services	27,970	11,391
Total decrease in assets	931,938	851,743
Increase in Net Assets before Actuarial Adjustment	1,137,519	947,647
Actuarial adjustment (Note 3)	(1,389,447)	1,374,430
Increase (decrease) in Net Assets after Actuarial Adjustments	(251,928)	2,322,077
Net Assets Available for Benefits at Beginning of Year	16,814,836	14,492,759
Net Assets Available for Benefits at End of Year	$ 16,562,908	$ 16,814,836

See accompanying notes to financial statements

MEMBERS' RETIRING ALLOWANCES ACT

Statement of Changes in Net Assets Available for Benefits in the Members' Supplementary Retiring Allowance Account for the year ended March 31, 2004

	2004	2003
Increase in Assets		
Interest	$ 3,772,804	$ 3,247,892
Contributions		
Members' - matched	84,839	71,244
Government - matched	84,839	71,244
Members' - unmatched	20,132	—
Government - unmatched	1,542,203	1,378,365
Total increase in assets	5,504,817	4,768,745
Decrease in Assets		
Allowances (pensions)	2,261,908	2,160,904
Refunds - contributions and interest	62,582	—
Professional services	41,954	17,087
Total decrease in assets	2,366,444	2,177,991
Increase in Net Assets before Actuarial Adjustment	3,138,373	2,590,754
Actuarial Adjustment (Note 3)	(2,993,240)	3,621,556
Increase in Net Assets after Actuarial Adjustment	145,133	6,212,310
Net Assets Available for Benefits at Beginning of Year	45,001,751	38,789,441
Net Assets Available for Benefits at End of Year	$ 45,146,884	$ 45,001,751

See accompanying notes to financial statements

MEMBERS' RETIRING ALLOWANCES ACT

Notes to Financial Statements
for the year ended March 31, 2004

1. Authority and Description of Plan

Members of the House of Assembly are entitled to receive allowances pursuant to provisions of the Members' Retiring Allowances Act. The Act, as amended November 25, 1993, establishes in the Consolidated Fund of the Province a Members' Retiring Allowance Account (a registered pension plan under the Income Tax Act) and a Members' Supplementary Retiring Allowance Account to which members and government contributions and interest are credited, and payments to pensioners and terminating members are charged. If at any time the balances of the accounts are insufficient to make required payments, an amount will be credited to the accounts from the Consolidated Fund.

Members contribute 10% of indemnities and salaries to the Members' Retiring Allowance Account, and 10% of allowances to the Members' Supplementary Retiring Allowance Account. The Province contributes an equal amount. The Province makes additional contributions to the accounts equal to the current service cost (annual cost of benefits accrued) less members' contributions and the Province's matching contributions. Contributions cease after 15 years. Pensions are paid on the basis of the average indemnities, allowances and salaries for the last three years, at the rate of 5% for each year for which contributions were made. As of November 25, 1993 there is no longer a minimum retiring allowance.

There are 52 Members of the Legislative Assembly. At year end, 51 were contributors to the accounts and the remaining member had reached the 15 year maximum contributory service. There are also 104 allowances in pay at March 31, 2004 to former Members of the Legislative Assembly, surviving spouses and/or dependant children.

A member qualifies for benefits on ceasing to be a member after having served five years during two or more General Assemblies, and having attained age 55 (increased from age 50 as of November 25, 1993). Former members who qualify for a retiring allowance may make application for an actuarially reduced allowance as early as 45 years of age (increased from age 40 as of November 25, 1993). Retiring allowances are increased annually on January 1 by the lesser of the increase in the consumer price index or 6%.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. A statement of cash flow is not provided since disclosure in each of the statements of changes in net assets available for benefits is considered adequate.

(b) Contributions

Contributions to the accounts are recorded when received and allowances and refunds are recorded in the accounts when paid. An amount representing interest on the balances in the accounts is calculated and credited to the accounts annually at a rate of 8.5% according to the regulations of the Members' Retiring Allowances Act.

(c) Benefits

Benefit payments to retired members and commuted value payments are recorded in the period in which they are paid. Accrued benefits are recorded as part of accrued actuarial liabilities.

(d) Use of Estimates

In preparing these financial statements in conformity with generally accepted accounting principles, management must make certain estimates and assumptions that primarily affect the reported values of assets and liabilities, related income and expense and related disclosures. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years could differ from those estimates.

3. Actuarial Valuation

Actuarial valuations of benefit obligations under the Members' Retiring Allowances Act are carried out periodically and provide an estimate of pension benefit obligations calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Eckler Partners Ltd., performed a valuation as at December 31, 2003 and issued their report in March 2004. An extrapolation of the December 31, 2003 valuation was performed as of March 31, 2004. The results of the valuation and related extrapolation are summarised as follows:

	Extrapolation March 31, 2004	**Valuation December 31, 2003**
Members' Retiring Allowance Account	$ 16,562,908	$ 16,361,900
Members' Supplementary Retiring Allowance Account	$ 45,146,884	$ 44,604,400

Actuarial adjustments were recorded to adjust the asset accounts to reflect the revised estimates of these actuarial values.

	Extrapolation March 31, 2004	**Valuation December 31, 2003**
Members' Retiring Allowance Account	$ (1,389,447)	$ (1,347,500)
Members' Supplementary Retiring Allowance Account	$ (2,993,240)	$ (2,854,000)

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected three year average indemnity, expense allowance and executive council salary (where applicable) at the expected date of retirement. The projected unit credit method was adopted for the actuarial valuation to determine the current cost and actuarial liability. The major economic and demographic assumptions used in the valuation are as follows:

	Extrapolation March 31, 2004	**Valuation December 31, 2003**
Investment earnings - pre-retirement rate	6.17%	6.17%
- post-retirement rate (Net of assumed pensioner cost-of-living increases per annum)	3.08%	3.08%
Salary escalation	3.0%	3.0%
Cost of living	3.0%	3.0%
Average retirement age	i) Age 55 if current age is less than 50.25	i) Age 55 if current age is less than 50
	ii) Current age +5.25 if 50.25 is less than or equal to current age less than or equal to 57.25	ii) Current age +5.5 if 50 is less than or equal to current age less than or equal to 57
	iii) Later of current age +1.25 or 5 years of service if current age greater than or equal to 57.25	iii) Later of current age +1.5 or 5 years of service if current age greater than or equal to 57
Mortality	1994 Group Annuitant Mortality Table projected to 2000	1994 Group Annuitant Mortality Table projected to 2000

AUDITOR'S REPORT TO THE DIRECTORS

We have audited the balance sheet of Nova Scotia Business Incorporated as at March 31, 2004 and the statements of revenue, expenditures and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Halifax, Canada
May 28, 2004

NOVA SCOTIA BUSINESS INCORPORATED

Balance Sheet
March 31, 2004, with comparative figures for 2003

ASSETS

	2004	2003
	(in thousands)	
Current assets:		
Cash	$ 13,043	$ 9,243
Accrued interest receivable	560	792
Due from the Province of Nova Scotia	9,236	8,654
Other receivables	688	562
	23,527	19,251
Nova Scotia Business Fund assets:		
Loans receivable (notes 3 and 7)	112,539	119,958
Equity investments (notes 4 and 7)	9,689	7,098
Industrial Parks and malls (note 5)	4,823	4,742
Other assets (notes 6 and 7)	111	119
	127,162	131,917
	$ 150,689	$ 151,168

LIABILITIES and EQUITY

	2004	2003
Current liabilities:		
Accounts payable and accrued liabilities	$ 19,378	$ 10,905
Provision for payment of guarantees (note 7)	1,990	2,596
Principal due within one year to the Province of Nova Scotia	12,481	13,284
	33,849	26,785
Long-term debt:		
Due to the Province of Nova Scotia (note 8)	103,571	114,142
Equity (note 9):		
Retained earnings	13,269	10,241
Commitments (note 11)		
Contingencies (note 12)		
	$ 150,689	$ 151,168

See accompanying notes to financial statements

NOVA SCOTIA BUSINESS INCORPORATED

Statement of Revenue, Expenditures and Retained Earnings
Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
	(in thousands)	
Revenue:		
Provincial grants:		
Operating grant	$ 6,815	$ 6,600
Strategic investment grant	17,184	15,126
Valuation allowance grant	2,000	3,874
Interest on loans receivable	9,165	11,675
Other investment income	2,083	754
Gain on disposal of Industrial Parks	764	2,127
Miscellaneous	464	246
	38,475	40,402
Expenditures:		
Operating expenses (Schedule 1)	6,815	6,595
Strategic investments	17,184	15,126
Provision for credit losses and payment of guarantees	2,001	5,965
Nova Scotia Business Fund expenses (Schedule 2)	9,447	2,475
	35,447	30,161
Excess of revenue over expenditures	3,028	10,241
Retained earnings, beginning of year	10,241	—
Retained earnings, end of year	$ 13,269	$ 10,241

See accompanying notes to financial statements.

NOVA SCOTIA BUSINESS INCORPORATED

Statement of Cash Flows
Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
	(in thousands)	
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	$ 3,028	$ 10,241
Add (deduct) items not involving cash:		
Amortization	239	256
Provision for credit losses and payment of guarantees	2,001	5,965
Capitalized interest on loans receivable	(1,482)	(2,613)
Gain on sale of Industrial Parks	(764)	(2,127)
Change in non-cash working capital:		
Increase in accrued interest receivable	232	(792)
Increase in due from Province of Nova Scotia	(582)	(1,149)
Increase in other receivables	(126)	(557)
Increase in accounts payable and accrued liabilities	8,473	3,295
	11,019	12,519
Investments:		
Loan advances	(9,588)	(14,707)
Principal received on loans	16,088	15,736
Redemption of shares	105	454
Issue of convertible debentures	(2,900)	(750)
Proceeds from disposal of Industrial Parks	764	2,174
Capital additions	(348)	—
Other	7	(69)
	4,128	2,838
Financing:		
New borrowings from the Province of Nova Scotia	2,175	9,365
Principal repayment to the Province of Nova Scotia	(13,522)	(15,579)
	(11,347)	(6,214)
Increase in cash	3,800	9,143
Cash, beginning of year	9,243	100
Cash, end of year (note 15)	$ 13,043	$ 9,243

Cash is defined as cash and short-term investments.

See accompanying notes to financial statements.

NOVA SCOTIA BUSINESS INCORPORATED

Notes to the Financial Statements
Year ended March 31, 2004

Nova Scotia Business Incorporated is a corporation, wholly-owned by the Province of Nova Scotia with an independent Board of Directors. The Corporation was established pursuant to the Nova Nova Scotia Business Incorporated Act, Chapter 30 of the Acts of Nova Scotia, 2000. The Corporation's mission is to deliver client-focused business solutions that result in sustainable, value-added economic growth for Nova Scotia.

1. Summary of significant accounting policies:

(a) Loans receivable:

Loans receivable are recorded at cost less a general allowance for credit losses equal to 5% of cost. In addition, a specific allowance is recorded if management considers it necessary to reduce the loan to its estimated recoverable amount.

(b) Equity investments:

Equity investments are initially recorded at cost less a general allowance for credit losses equal to 10% of cost. This allowance is immediately recorded to reflect the increased risk associated with equity investments. The investments are reviewed annually for potential decline in value - if a decline is considered to be other than temporary, a specific allowance is recorded.

(c) Industrial parks and malls:

The industrial parks and malls consist of properties held for sale and improved properties consisting of land and land improvements, buildings, wharves and utilitities. Land is recorded at the lower of cost and estimated net realizable value. The remaining assets are recorded at cost and amortized on a declining balance basis over their estimated useful lives as follows:

Asset	Rate
Land improvements	5%
Industrial malls and other buildings	5%
Wharves	5%
Utilities	15%

The Department of Transportation and Public Works has operational responsibility for the industrial parks and malls. Certain revenues and expenses associated with the operation of the industrial parks and malls are accounted for by the Department of Transportation and Public Works are not reflected in these financial statements.

(d) Revenue recognition:

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectibility of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized, and any interest income that is accrued is reversed. A loan is considered impaired when there is risk of loss to the Corporation of the full and timely collection of principal and interest; generally, when it is more than three months in arrears.

(e) Allowance for credit losses and provision for payment of guarantees:

As financing is advanced, the Corporation immediately records a general allowance equal to 5-10% of the amount disbursed. In addition, the Corporation provides for possible credit losses on an item-by-item basis by examining such factors as the client's financial condition and the fair value of the underlying security.

The provision for credit losses is partially offset by funding from the Province of Nova Scotia in the form of a Valuation Allowance Grant.

(f) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. Fair values of financial instruments:

Financial assets and financial liabilities:

The carrying values of cash, accrued interest receivable, other receivables, accounts payable, accrued interest payable and due from Province of Nova Scotia approximates their fair values because of their short-term to maturity.

The fair values of loans receivable approximate their net realizable value.

Equity investments, loan guarantees and other assets represent investments in and guarantees in privately held companies, as well as property acquired through foreclosure. Due to the limited amount of comparable market information available it was not practical to determine the fair value of these assets.

Due to the Province of Nova Scotia is comprised of a series of separate notes, the largest of which has no set terms of repayment. Principal is repaid to the Province as it is collected on the loans receivable financed by this note. Due to the volume of accounts financed by this note and the uncertainty with respect to timing of future cash flows, it is not practical to determine the fair value of the amount due to the Province of Nova Scotia.

3. Loans receivable:

	2004	2003
	(in thousands)	
(a) Principal due		
Performing loans	$ 124,003	$ 141,535
Imparied loans	38,278	27,330
	162,281	168,865
Allowance for credit losses (note 7)	49,742	48,907
	$ 112,539	$ 119,958

Included in the above loans receivable are loans with concessionary terms which have principal amounts outstanding of $775 (2003 - $938) and concessionary allowance of $194 (2003 - $262). The concessionary terms consist of interest free financing.

The concessionary allowance is calculated as the difference between the financing advances and the net present value of the anticipated future repayments at an interest rate similar to the usual established terms of the Corporation.

(b) Principal payments receivable in each of the next five years are as follows:

2005	$ 12,780
2006	13,540
2007	24,917
2008	25,306
2009	10,985

4. **Equity investments:**

	2004	2003
	(in thousands)	
Common shares	$ 3,092	$ 3,123
Preferred shares	6,696	6,718
Convertible debentures	4,150	1,250
	13,938	11,091
Allowance for credit losses (note 7)	4,249	3,993
	$ 9,689	$ 7,098

One of the convertible debentures, valued at $1 million, matured before year-end. No action has been taken by the Corporation to demand repayment or to exercise the conversion options inherent in the debenture. Management is negotiating with the company to extend the maturity date.

5. **Industrial parks and malls:**

	2004			2003
			(in thousands)	
	Cost	**Accumulated amortization**	**Net Book Value**	**Net Book Value**
Land	$ 268	$ ---	$ 268	$ 269
Land improvements	957	254	703	740
Industrial malls and other buildings	5,488	2,783	2,705	2,866
Utilities	835	283	552	626
Wharves	1,593	998	595	241
	$ 9,141	$ 4,318	$ 4,823	$ 4,742

6. **Other assets:**

	2004	2003
	(in thousands)	
Property acquired through foreclosure, at cost	$ 959	$ 965
Less allowance for losses (note 7)	848	846
	$ 111	$ 119

7. **Allowance for credit losses and provision for payment of guarantees:**

				2004 (in thousands)
	Gross Balance Outstanding	Specific Allowance	General Allowance	Total Allowance
Loans receivable (note 3)	$ 162,281	$ 44,319	$ 5,423	$ 49,742
Equity investments (note 4)	13,938	3,173	1,076	4,249
Guarantees (note 12)	2,625	1,922	68	1,990
Other assets (note 6)	959	842	6	848
	$ 179,803	$ 50,256	$ 6,573	$ 56,829

				2003 (in thousands)
	Gross Balance Outstanding	Specific Allowance	General Allowance	Total Allowance
Loans receivable (note 3)	$ 168,865	$ 43,292	$ 5,615	$ 48,907
Equity investments (note 4)	11,091	3,704	289	3,993
Guarantees (note 12)	4,301	2,519	77	2,596
Other assets (note 6)	965	840	6	846
	$ 185,222	$ 50,355	$ 5,987	$ 56,342

8. **Due to Province of Nova Scotia:**

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

	2004			2003
				(in thousands)
	Year of Maturity	Weighted Average Interest Rate	Principal Outstanding	Principal Outstanding
Note payable 2002-01	2017	—	$ 76,952	$ 90,098
Note payable 2002-02	2021	6.45%	32,975	30,963
Note payable 2003-01	2008	4.85%	2,869	2,974
Note payable 2003-02	2008	4.53%	634	734
Note payable 2003-03	2012	5.02%	385	419
Note payable 2003-04	2014	5.35%	1,177	1,233
Note payable 2003-05	2011	5.44%	1,060	1,005
			116,052	127,426
Less principal due within one year			12,481	13,284
			$ 103,571	$ 114,142

In 2004, the Province introduced a new policy regarding the repayment of note payable 2002 - 01. The principal for this note is repayable to the Province when the principal is collected from the loans that are funded by this note. In addition, 80% of the interest received or capitalized on the underlying loans is repayable to the Province. Prior to the new policy, the note was interest free.

The remaining notes are repayable in quarterly instalments of principal and interest based on the maturity dates and rates set out above.

(b) Principal payments due in each of the next five years are as follows:

2005	$ 12,481
2006	13,197
2007	24,750
2008	24,835
2009	10,594

9. Share capital:

The Corporation has authorized 100 Class A common shares with a par value of $1 each. 100 common shares have been issued to the Province of Nova Scotia.

10. Nova Scotia Business Fund:

The Nova Scotia Business Fund (the "Fund") is comprised of investments approved under the direction and management of Nova Scotia Business Incorporated and investments transferred from the Nova Scotia Business Development Corporation Fund on November 6, 2001. The following is a summary of the Fund as at March 31.

	2004	2003
	(in thousands)	
Assets:		
Nova Scotia Business Incorporated portfolio	$ 13,900	$ 8,391
Less allowance for credit losses	1,984	938
	11,916	7,453
Financing authorized but unadvanced (note 11)	7,064	7,439
	18,980	14,892
Nova Scotia Business Development Corporation portfolio	168,100	177,272
Loan guarantees (note 12)	2,625	4,301
Less allowance for credit losses	54,845	55,404
	115,880	126,169
Financing authorized but unadvanced (note 11)	3,630	9,746
	119,510	135,915
	$ 138,490	$ 150,807
Funding authorized and committed:		
Fund balance authorized, net of write offs	$ 271,592	$ 273,106
Less uncommitted balance of fund	76,273	65,957
Committed fund balance	195,319	207,149
Less allowance for credit losses and payment of guarantees	56,829	56,342
	$ 138,490	$ 150,807

11. Commitments:

(a) The Corporation has approved financing of $7,064 for NSBI and $3,630 for NSBDC portfolios (2003 - $7,439 and $9,746 respectively) that is undisbursed at year-end.

(b) The Corporation administers strategic investments on behalf of the Province of Nova Scotia that permit approved businesses to receive a percentage of payroll taxes paid as a rebate. Expenses incurred by the Corporation are match-funded by the Province of Nova Scotia in the form of a Strategic Investment Grant. As at March 31, 2004, transactions were approved with maximum annual payments over the next six years of $78.6 million (2003 - $58.95 million) as shown below.

2005	$ 16,465
2006	19,079
2007	18,897
2008	14,675
2009	5,388
2010	4,127

(c) In one of the Industrial Parks owned by the corporation, a sewage treatment plant is in operation. The plant operates under license from the Department of Environment and Labour and does not meet current discharge standards. Management estimates an upgrade costing approximately $1.4 million is required in order to meet environmental standards.

12. Contingencies:

(a) Guarantees:

	2004		2003
	Authorized	Utilized (in thousands)	Utilized
Bank loans	$ 2,625	$ 2,605	$ 4,051
Performance bonds	---	---	250
		2,605	4,301
Less provision for payment (note 7)		1,990	2,596
		$ 615	$ 1,705

Bank loan guarantees issued in the amount of $445 (2003 - $45) were demanded by the bank before year-end. These guarantees had a provision for payment of $85 (2003 - $45) recorded against them.

Included in the bank loan guarantees is a guarantee to a US bank in the Canadian dollar amount of $1,877 (2003 - $2,474).

(b) Litigation:

The Corporation is a co-defender with the Province of Nova Scotia and Industrial Estates Limited in a dispute regarding environmental contamination on land previously owned by Industrial Estates Limited. Any losses incurred related to this claim will be fully funded by the Province of Nova Scotia.

Counsel is unable to form an opinion at this early date in regard to the likelihood of loss; consequently, no provision for any possible loss has been recorded in these financial statements.

13. Credit risk and interest risk:

(a) Credit risk:

Credit risk is the risk that a debtor may not pay amounts owing, thus resulting in a loss. To mitigate this risk, the Corporation has developed the following policies:

Before a loan is approved, a risk assessment is performed on the client. Each loan is designated a risk rating based on the industry and business, quality of management, financial history and projections, other investors' level of financial involvement, ability of the client to access funds elsewhere, and any environmental risks. Applications with a high risk rating would warrant a higher interest rate or would not be approved if the level of risk is deemed unacceptable.

Clients are limited to a total of $15 million in financing from Nova Scotia Business Incorporated's Nova Scotia Business Fund. Two clients currently exceed this total; their loans were approved in the Nova Scotia Business Development Corporation Fund and transferred to the Nova Scotia Business Fund via legislation on November 6, 2001. The outstanding amounts for these clients are approximately $46 million and $21 million, respectively (2002 - $40 million and $20 million).

In addition to its regular monitoring procedures, at year-end, management performed an in-depth analysis of all accounts in order to assess the Corporation's total exposure to credit and other risk. Factors such as the financial condition of the client were evaluated to determine how risk has changedsince inception of the loan. Changes in risk are reflected in the carrying value of the loan via the provision for credit losses.

(b) Interest risk:

Interest rate risk is the impact future changes of interest rates have on cash flows and fair value of assets and liabilities. To mitigate this risk, the Corporation matches the repayment timing of amounts borrowed with the repayment timing of financing advanced as closely as practical.

Outstanding investments totaling nil (2003 - $90,098) were funded by an interest free long-term note payable to the Province of Nova Scotia.

14. Taxes:

The Corporation is not subject to provincial or federal taxes.

15. Supplementary cash information:

During the year, cash received for interest income was $9,997 (2003 - 9,088) and cash paid for interest was $1,680 (2003 - $1,931).

16. Related party transactions:

Financing has been advanced to companies which were controlled or otherwise not independent of certain directors of Nova Scotia Business Inc. at the time of the transactions. These investments totaled $30,684 (2003 - $29,824) and certain of these investments had specific allowances recorded against them totaling $10,536 (2003 - $8,844).

These transactions were carried out in the normal course of operations and on terms and conditions that would be similar to those of non-related parites.

Schedule 1

NOVA SCOTIA BUSINESS INCORPORATED

Schedule of Operating Expenses
Year ended March 31, 2004

	2004	2003
	(in thousands)	
Business development	$ 970	$ 905
Legal and audit	98	185
Office expenses	216	224
Other	102	100
Salaries and benefits	4,640	4,309
Telecommunications and technical support	238	368
Travel	551	504
	$ 6,815	$ 6,595

Schedule 2

Schedule of Nova Scotia Business Fund Expenses
Year ended March 31, 2004

	2004	2003
	(in thousands)	
Amortization	$ 239	$ 256
Commissions	75	46
Interest	8,789	1,931
Legal	24	---
Repairs and maintenance	320	242
	$ 9,447	$ 2,475

AUDITOR'S REPORT

To the Board of Governors of the
Nova Scotia Community College

We have audited the statement of financial position of the Nova Scotia Community College as at March 31, 2004 and the statements of revenue and expenditures, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2004 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

May 28, 2004

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Financial Position
as at March 31, 2004

ASSETS

	2004	2003
Current assets		
Cash	$ 14,786,860	$ 23,020,911
Accounts receivable (Note 3)	18,999,597	6,063,812
Inventory	754,846	716,430
Prepaids	353,050	275,082
	34,894,353	30,076,235
Capital assets (Note 4)	5,999,361	6,173,046
Foundation assets (Note 5)	816,828	837,202
Pensionable advance (Note 13)	685,437	743,206
	$ 42,395,979	$ 37,829,689

LIABILITIES

	2004	2003
Current liabilities		
Accounts payable and accrued liabilities	$ 21,035,261	$ 18,026,304
Deferred revenue (Note 6)	6,262,769	6,512,390
	27,298,030	24,538,694
Deferred revenue related to capital assets (Note 7)	3,230,130	2,197,986
Employee future benefit obligation (Note 16)	2,003,990	1,693,982
	32,532,150	28,430,662

Commitments (Note 14)

NET ASSETS

	2004	2003
Invested in capital assets (Note 8)	2,769,231	3,975,060
Unrestricted	1,554,847	---
Restricted for Foundation Purposes (Note 5)	816,828	837,202
Restricted for College Development (Note 12)	4,722,923	4,586,765
	9,863,829	9,399,027
	$ 42,395,979	$ 37,829,689

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Revenue and Expenditures
Year Ended March 31, 2004

	2004	2003
Revenue		
Province of Nova Scotia (Note 9)	$ 73,687,720	$ 66,982,000
Government of Canada	8,743,000	7,440,100
Tuition and fees	14,934,536	14,167,798
Customized training	11,710,292	11,477,134
Amortization of deferred revenue related to capital assets	1,544,891	1,021,445
Other (Note 10)	15,338,094	12,816,208
	125,958,533	113,904,685
Expenditures		
Salaries and benefits	79,165,729	74,752,600
Operating supplies and services	24,739,382	20,381,259
Equipment, rentals and other administration	11,103,946	8,088,554
Utilities and maintenance	7,158,641	7,441,148
Amortization	3,305,659	2,861,637
	125,473,357	113,525,198
Excess of revenue over expenditures	$ 485,176	$ 379,487

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Cash Flows
Year Ended March 31, 2004

	2004	2003
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenue over expenditures	$ 485,176	$ 379,487
Items not affecting cash		
Amortization of deferred revenue related to capital assets	(1,544,891)	(1,021,445)
Amortization	3,305,659	2,861,637
Gain on disposal of capital assets	---	(13,245)
Employee future benefit obligation	310,008	1,222,063
	2,555,952	3,428,497
Changes in non-cash working capital items (Note 11)	(10,292,833)	11,605,821
	(7,736,881)	15,034,318
Investing		
Purchase of capital assets	(3,131,974)	(2,319,170)
Proceeds on sale of capital assets	---	19,612
	(3,131,974)	(2,299,558)
Financing		
Pensionable advance	57,769	50,729
Contributions related to capital assets	2,577,035	1,575,555
	2,634,804	1,626,284
Net cash (outflow) inflow	(8,234,051)	14,361,044
Cash position, beginning of year	23,020,911	8,659,867
Cash position, end of year	$ 14,786,860	$ 23,020,911

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Changes in Net Assets
Year Ended March 31, 2004

	Invested in Capital Assets	Unrestricted	Restricted for Foundation Purposes (Note 5)	Restricted for College Development (Note 12)	2004 Total	2003 Total
Balance, beginning of year . . . . $	3,975,060 $	--- $	837,202 $	4,586,765 $	9,399,027 $	8,928,111
Excess (deficiency) of revenue over expenditures.	(1,760,768)	2,245,944	---	---	485,176	379,487
Investment in capital assets.	554,939	(691,097)	---	136,158	---	---
Endowment contributions and interest.	---	---	375,695	---	375,695	1,237,707
Endowment disbursements.	---	---	(396,069)	---	(396,069)	(1,146,278)
Balance, end of year . . . . $	2,769,231 $	1,554,847 $	816,828 $	4,722,923 $	9,863,829 $	9,399,027

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements
March 31, 2004

1. OVERVIEW OF OPERATIONS

The Nova Scotia Community College ("the College") was established as a post-secondary public education corporation under the authority of the Community College Act of Nova Scotia effective April 1, 1996.

The College, with thirteen campuses across the Province of Nova Scotia (the "Province"), is responsible for enhancing the economic and social well being of Nova Scotia by meeting the occupational training requirements of the population and the labour market.

The College has entered into a consent agreement with the Province that allows the College to construct facilities on land owned by the Province pursuant to the $123 million multi-year infrastructure investment announced by the Province on March 28, 2003. The investment will provide newer facilities, more space and revamped learning and student life areas across the Province. Ownership of the buildings, including the new Metro Campus, will remain with the Province. Costs associated with the project will be managed by the College and flow through a liability account, which is subsequently reimbursed by the Province. The expenditures are netted against the funds receivable from the Province and have no effect on the statement of revenue and expenditures.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Use of Estimates

The preparation of financial information requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as revenue and expenditures during the year. Actual results may differ from those estimates.

b) Revenue Recognition

The College follows the deferral method of accounting for revenue. Tuition fees, residence fees and sales are recognized when the services are provided or the goods are sold. Funding for expenditures of future periods are deferred and recognized as revenue in the year in which the related expenditure is incurred. Funding received for capital assets are deferred and recognized as revenue on the same basis as the acquired capital assets are amortized.

c) Cash

Cash consists of cash on hand and amounts held by financial institutions, upon which interest is paid at commercial rates.

d) Capital Assets

Purchased capital assets are recorded at cost. Capital assets are amortized on a straight-line basis over the following estimated useful life:

Computer equipment	3 years
Furniture and equipment	5 years
Leasehold improvements	2 to 5 years
Management Information System	5 years

Land and buildings that are owned by the Province are not reflected in the assets of the College. Improvements made to these buildings are therefore expensed in the year. Improvements made to buildings with leases in place are capitalized and amortized over their useful life or the term of the lease, whichever is less.

e) Contributed Services

The Province provides the College with buildings at thirteen campuses (in excess of two million square feet) and is responsible for the maintenance of the physical plant and building infrastructure, the benefit of which is not reflected in these financial statements because of the difficulty in determining the value.

f) Inventory

Inventory consists of merchandise and supplies held for resale and are valued at the lower of cost and net realizable value. Administrative and program supplies and library periodicals are not inventoried.

3. ACCOUNTS RECEIVABLE

	2004	2003
Organizations	$ 3,211,485	$ 3,296,808
Student fees	2,113,235	2,332,484
Government funding	5,946,343	301,670
Development Project	6,301,493	---
Other	1,084,505	---
Harmonized Sales Tax	1,175,302	919,272
Allowance for doubtful accounts	(832,766)	(786,422)
	$ 18,999,597	$ 6,063,812

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2004	Net Book Value 2003
Computer equipment	$ 7,637,160	$ 6,138,288	$ 1,498,872	$ 280,586
Furniture and equipment	8,790,855	6,244,067	2,546,788	2,686,306
Leasehold improvements	233,662	207,872	25,790	38,685
Management Information System	6,197,789	4,269,878	1,927,911	3,167,469
	$ 22,859,466	$ 16,860,105	$ 5,999,361	$ 6,173,046

5. FOUNDATION ASSETS

The Nova Scotia Community College Foundation (the "Foundation") is a non-profit organization controlled by the College. The assets represent donations and related interest restricted for scholarships, awards and other specified purposes. The Foundation works collaboratively with the College and the community to enhance the student experience by developing and implementing a framework to nurture support for current and future needs of the College.

The Foundation has not been consolidated in the College's financial statements. Financial statements of the Foundation are available upon request. Financial summaries as at March 31 and for the years then ended are as follows:

Nova Scotia Community College Foundation

Financial Position	**2004**	**2003**
Total assets	$ 821,553	$ 1,062,811
Total liabilities	$ 4,725	$ 225,609
Total net assets	816,828	837,202
	$ 821,553	$ 1,062,811
Results of Operations		
Total revenues	$ 375,695	$ 1,983,480
Total expenses	396,069	1,146,278
(Deficiency) excess of revenue over expenses	$ (20,374)	$ 837,202

The Foundation uses fund accounting and follows the restricted fund method of accounting for contributions.

6. DEFERRED REVENUE

Deferred revenue represents the unearned portion of amounts received for specific purposes and is summarized as follows:

	2004	**2003**
Apprenticeship	$ 1,303,821	$ 907,537
Offshore Operation	1,677,043	1,694,795
JD Irving	25,000	250,000
Applied Research	378,927	462,210
Customized training	1,657,799	2,253,797
Other	1,220,179	944,051
	$ 6,262,769	$ 6,512,390

7. DEFERRED REVENUE RELATED TO CAPITAL ASSETS

Deferred revenue related to capital assets represents the unamortized portion of funding received from the Province of Nova Scotia and other sources for capital asset additions. The changes in the deferred balance are as follows:

	2004	2003
Beginning balance	$ 2,197,986	$ 1,643,876
Contributions received	2,577,035	1,575,555
Amortization of deferred revenue related to capital assets	(1,544,891)	(1,021,445)
Ending balance	$ 3,230,130	$ 2,197,986

8. NET ASSETS INVESTED IN CAPITAL ASSETS

	2004	2003
Capital assets, net of amortization	$ 5,999,361	$ 6,173,046
Deferred revenue related to capital assets	(3,230,130)	(2,197,986)
	$ 2,769,231	$ 3,975,060

9. REVENUE-PROVINCE OF NOVA SCOTIA

	2004	2003
Funding received	$ 74,687,720	$ 67,982,000
Portion related to capital assets	(1,000,000)	(1,000,000)
	$ 73,687,720	$ 66,982,000

10. OTHER REVENUE

Other revenue is summarized as follows:

	2004	2003
Bookstore revenue	$ 3,640,823	$ 3,372,344
Food sales	1,547,605	1,493,968
Apprenticeship/Shop	2,852,863	2,468,984
Interest	561,438	455,597
Recoveries	2,684,729	1,922,680
Applied research	658,590	348,100
Lodging, rent and miscellaneous	3,392,046	2,754,535
	$ 15,338,094	$ 12,816,208

11. CHANGES IN NON-CASH WORKING CAPITAL

	2004	2003
Accounts receivable	$ (12,935,785)	$ 639,513
Inventory	(38,416)	(53,403)
Prepaids	(77,968)	488,489
Accounts payable	3,008,957	6,377,971
Deferred revenue	(249,621)	4,153,251
	$ (10,292,833)	$ 11,605,821

12. RESTRICTED FOR COLLEGE DEVELOPMENT

These funds have been internally restricted by the Board to ensure that the funds are used solely for college development projects.

13. PENSIONABLE ADVANCE

When the College took over the payroll function from the Province, it had to book a receivable, which represented a pay advance to staff. This was to account for the move from "paid to date" to "paid in arrears". This receivable was formerly held by the Province.

14. COMMITMENTS

The College is committed to the following lease and maintenance agreement payments over the next five years.

2005	2006	2007	2008	2009
$ 666,381	$ 485,578	$ 165,592	$ 32,553	$ 257

15. PENSION PLAN

The Nova Scotia Community College contributes to two defined benefit pension plans administered by the Province of Nova Scotia. The Province of Nova Scotia assumes the actuarial and investment risk associated with these plans. Accordingly, the College accounts for these pensions as defined contribution plans.

The College matches employees' contributions calculated as follows for the Nova Scotia Public Service Superannuation Plan: 5.4% on the part of their salary that is equal to or less than the "year's Maximum Pensionable Earnings" (YMPE) under the Canada Pension Plan (CPP) and 7% on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of $3,195,533 from April 1, 2003 to March 31, 2004.

The College matches employees' contributions calculated as follows for the Nova Scotia Teachers' Union Pension Plan: 8.3% on the part of their salary that is equal to or less than the YMPE under the CPP and 9.9% on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of $6,431,135 from April 1, 2003 to March 31, 2004.

16. EMPLOYEE FUTURE BENEFIT OBLIGATION

An employee hired on or after August 1, 1998 who retires because of age or mental or physical incapacity shall be granted a College Service Award (CSA) equal to 1% of the employee's annual salary for each year of continuous service to a maximum of 25 years. There are no employee contributions in respect of the plan.

An actuarial evaluation was completed as of March 31, 2004 and the College's obligation relating to these benefits was $2,004,000 (2003 - $1,694,000).

The significant actuarial assumptions adopted in estimating the College's obligation are as follows:

Future salary increase	5% per annum
Expected rate of return	0% per annum
Retirement age	20% upon attainment of age 55 and 80 points (age plus service); the remainder at 35 years of service or age 60, whichever is earlier

17. FINANCIAL INSTRUMENTS

Fair Value

The College evaluated the fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying values are considered to approximate fair values.

Credit Risk

The College performs a continuous evaluation of its accounts receivable and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk at March 31, 2004.

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Agriculture and Fisheries

I have audited the balance sheet of the Nova Scotia Crop & Livestock Insurance Commission as at March 31, 2004, and the statements of surplus and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

E. R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 17, 2004

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Balance Sheet
March 31, 2004

ASSETS

	2004	2003
Current		
Cash	$ 140,980	$ 83,458
Short-term investments (note 3)	6,072,787	6,138,088
Receivables, trade	34,998	58,818
Accrued interest receivable	121,504	66,085
	6,370,269	6,346,449
Capital assets (note 4)	43,412	35,462
	$ 6,413,681	$ 6,381,911

LIABILITIES

	2004	2003
Current		
Unearned premiums	$ 51,015	$ 39,889
Deposits for insurance	614	1,575
Provision for payment of unsettled indemnities (note 5)	2,107	6,403
	53,736	47,867
Deferred contributions related to capital assets (note 6)	43,411	35,462
	97,147	83,329

FUND BALANCES

	2004	2003
Fund balances		
Crop insurance	5,399,468	5,333,339
Livestock insurance	917,066	965,243
	6,316,534	6,298,582
	$ 6,413,681	$ 6,381,911

Commitments (note 10)

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Statement of Surplus and Fund Balances
year ended March 31, 2004

	Crop Insurance	Livestock Insurance	Other	Totals	
				2004	2003
Revenue					
Insurance premiums (Schedule A)	$ 849,740	$ 35,460	$ ---	$ 885,200	$ 837,099
Interest income	180,305	31,819	---	212,124	177,004
Amortization of deferred contributions (note 6)	---	---	10,797	10,797	9,976
	1,030,045	67,279	10,797	1,108,121	1,024,079
Indemnity claims (Schedule A)	837,680	46,040	---	883,720	384,128
Re-Insurance premiums	126,217	69,416	---	195,633	---
Bad debt expense	19	---	---	19	43,619
Administrative expenses (note 7) (Schedule B)	708,070	7,224	7,224	722,518	667,777
Amortization of capital assets	---	---	10,797	10,797	9,976
	1,671,986	122,680	18,021	1,812,687	1,105,500
Surplus (deficiency) before Government contributions	(641,941)	(55,401)	(7,224)	(704,566)	(81,421)
Government contributions (note 8)	708,070	7,224	7,224	722,518	667,777
Net surplus (deficiency)	66,129	(48,177)	---	17,952	586,356
Fund balances, beginning of year	5,333,339	965,243	---	6,298,582	5,712,224
Fund balances, end of year	$ 5,399,468	$ 917,066	$ ---	$ 6,316,534	$ 6,298,580

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Statement of Cash Flows
Year Ended March 31, 2004

	2004	2003
Operating Activities		
Net surplus	$ 17,952	$ 586,356
Amortization of intangible assets	10,797	9,976
Amortization of deferred contributions	(10,797)	(9,976)
	17,952	586,356
Net change in non-cash working capital balances related to operations (note 9)	(25,731)	(52,161)
	(7,779)	534,195
Investing Activities		
Purchase of short-term investments	65,301	(554,689)
Purchase of capital assets	(18,746)	(11,516)
Deferred contributions related to capital assets	18,746	11,516
	65,301	(554,689)
Increase (decrease) in cash during year	57,522	(20,494)
Cash, beginning of year	83,458	103,952
Cash, end of year	$ 140,980	$ 83,458

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Notes to Financial Statements
March 31, 2004

1. Authority

The Nova Scotia Crop and Livestock Insurance Commission was established pursuant to Section 2(1) of the Nova Scotia Crop and Livestock Insurance Act. The function of the Commission is to administer plans of crop and livestock insurance, and conduct programs relating to these plans.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following accounting policy.

Capital Assets

Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which for office furniture is 10 years and for equipment is 5 or 10 years depending on the type of equipment.

3. Short-term investments

The commission invests excess funds to be used to pay future indemnity claims. At March 31, 2004 these funds had a market value of $6,074,663 (2003 - $6,131,033) and were invested in various corporate and provincial bonds and promissory notes maturing in 2004 and 2005 with yields from 2.92% to 4.25%.

4. Capital Assets

	2004	2003
Equipment and furniture	$ 122,689	$ 103,942
Accumulated amortization	(79,277)	(68,480)
	$ 43,412	$ 35,462

5. Provision for payment of unsettled indemnities

Any indemnities for losses incurred in the fiscal year not paid as of year end have been estimated and recorded in the financial statements, with the exception of indemnities for Winter Grain.

Winter Grain is planted in the fall, but is not harvested until the following fall. Therefore, crop yields for Winter Grain are not known until well after the annual financial statements have been prepared. Crop yields can fluctuate dramatically depending upon factors such as weather conditions during the growing and harvesting seasons. As a result, the occurrence and amount of losses relating to this year's crop, if any, cannot be reasonably estimated at this time and therefore no provision has been recorded in the financial statements. In most cases, the indemnity expense for Winter Grain will be recorded in the year it is paid.

6. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent capital assets which were purchased by the Department of Agriculture and Fisheries on behalf of the Commission.

	2004	2003
Balance, beginning of year	$ 35,462	$ 33,922
Add: Capital assets acquired	18,746	11,516
Less: Amounts amortized to revenue	(10,797)	(9,976)
Balance, end of year	$ 43,411	$ 35,462

7. Related party transactions

Administrative expenses include $30,000 (2003 - $30,000) for rent and $44,240 (2003 - $44,240) for miscellaneous professional services that were charged to the Commission by the Nova Scotia Department of Agriculture and Fisheries.

8. Government contributions

Under the crop insurance programs, producers pay 40% (50% in 2003) of the insurance premiums and the Federal and Provincial governments each pay 36% and 24% (30% and 20% in 2003) respectfully. Neither the Federal nor Provincial governments cost share in the insurance premiums of the livestock insurance program or in non-refundable deposits.

For the 2004 fiscal year, the Federal government contributed 49% (2003 - 49%) of the total administrative expenses. The Provincial government funded the remainder.

9. Net change in non-cash working capital balances related to operations

Increase (decrease) in cash from changes in:	2004	2003
Receivables	$ 23,820	$ (7,085)
Accrued interest receivable	(55,419)	(14,791)
Increase in deposits for insurance	(961)	(15,159)
Unsettled indemnities	(4,297)	(23,600)
Unearned premiums	11,126	8,474
	$ (25,731)	$ (52,161)

10. Insurance coverage

The total insurance coverage as of March 31, 2004 was $54,353,458 (2003 - $52,632,562), comprising crop insurance of $16,614,618 (2003 - $15,899,230) and livestock insurance of $37,738,840 (2003 - $36,733,332).

The Province is party to an agreement with the Government of Canada, whereby, the Province makes advances to a fund administered by the Government of Canada called the Crop Re-Insurance Fund of Canada for Nova Scotia. The purpose of this Fund is to assist the Province of Nova Scotia when there is a requirement by the Province to make advances to the Commission for the payment of crop insurance indemnities. Advances to this Fund are recorded by the Province as a loan receivable, although they have not been reflected in the accounting records of the Commission.

The total re-insurance premiums paid by the Province have amounted to approximately $709,345. Management holds the opinion that the payment of these premiums was the responsibility of the Province. Discussions are ongoing to determine if the Commission should repay all, or a portion, of these re-insurance premiums to the Province. The amount, if any, to be repaid to the Province will be recorded by the Commission at that time.

The Commission took out their own re-insurance fund on both livestock and crops. They secured coverage of $3 million, for a premium of $195,000. The coverage was based on loss of income for dairy and total coverage for crops and was to impart a benefit to the Commission of no more than $3 million if exercised. The period covered by the re-insurance was April 1, 2003 - March 31, 2004.

Subsequent to year-end, there will be no further private re-insurance coverage due to changes in regulations that have removed the two most dangerous perils, Bovine Spongiform Encephalopathy (BSE) and foot and mouth disease (FMD), from the dairy program. The Commission now feels confident that it has the reserves necessary to handle the crop and dairy program.

11. Public service superannuation fund

All full time employees of the Commission are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Commission is not responsible for any unfunded liability. The pension expense incurred in the current year was $26,071 (2003 - $23,525).

12. Economic dependance

The Commission is economically dependent upon the ongoing and future funding of the Nova Scotia and Federal governments.

13. Comparative figures

In some cases, the comparative figures have been restated to conform with the current year's presentation.

Schedule A

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Premium Revenue and Indemnity Claims
for the year ended March 31, 2004

	Premium Revenue					Indemnity Claims	
	Farmer	Federal	Provincial	2004	2003	2004	2003
Crop Insurance							
Spring grain	$ 18,857	$ 16,972	$ 11,314	$ 47,143	$ 43,980	$ 86,714	$ 8,919
Winter grain	17,706	15,935	10,623	44,264	29,136	78,244	8,464
Tree fruit	88,418	79,576	53,051	221,045	194,761	71,956	13,135
Corn	28,724	25,852	17,234	71,810	41,960	36,597	12,065
Peas & beans	34,782	31,303	20,869	86,954	83,756	210,922	42,656
Blueberries	89,522	80,570	53,713	223,805	196,909	113,582	175,644
Strawberries and raspberries	5,056	4,550	3,033	12,639	19,725	55,467	10,605
Forage	1,968	1,771	1,181	4,920	8,004	7,993	8,554
Soybeans	3,335	3,002	2,001	8,338	7,370	---	6,821
Potatoes	8,202	7,382	4,921	20,505	68,857	---	(7,941)
Vegetables	43,327	38,994	25,996	108,317	121,424	176,205	73,462
	339,897	305,907	203,936	849,740	815,882	837,680	352,384
Livestock Insurance							
Dairy	35,460	---	---	35,460	21,217	46,040	31,744
Total	$ 375,357	$ 305,907	$ 203,936	$ 885,200	$ 837,099	$ 883,720	$ 384,128

Schedule B

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Administrative Expenses
for the year ended March 31, 2004

	Insurance			Totals	
	Crop	Livestock	Other	2004	2003
Personnel	$ 512,181	$ 5,226	$ 5,226	$ 522,633	$ 481,478
Transportation and communication	58,915	601	601	60,117	53,489
Information	11,634	118	118	11,870	15,356
Professional and special services	33,193	339	339	33,871	31,030
Office accommodation and equipment rental	31,725	324	324	32,373	30,886
Repair and maintenance of equipment	3,158	32	32	3,222	1,107
Materials and supplies	13,909	142	142	14,193	10,192
Central government services	43,355	442	442	44,239	44,239
	$ 708,070	$ 7,224	$ 7,224	$ 722,518	$ 667,777

AUDITORS' REPORT

To the Minister responsible for the
Emergency Measures Act

We have audited the statement of financial position of Nova Scotia E911 Cost Recovery Fund (the "Fund") as at March 31, 2004 and the statements of operations and fund equity (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards.Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Fund is managed by the Emergency Measures Organizations (EMO), and the EMO has the ability to incur expenses on behalf of the Fund; therefore, the completeness of the expenses that the Fund incurs is not susceptible to satisfactory audit verification. Accordingly, our verification of these expenses was limited to the amounts recorded in the records of the Fund and we were not able to determine whether any adjustments might be necessary to expenses, excess of revenues over expenses, current liabilities, net assets and Fund equity.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the expenses referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The prior year's figures were reported on by another firm of chartered accountants.

PriceWaterhouseCoopers, LLP
Chartered Accountants

July 29, 2004

NOVA SCOTIA E911 COST RECOVERY FUND

Statement of Financial Position
as at March 31, 2004

		2004		2003
ASSETS				
Current assets				
Cash and cash equivalents	$	834,593	$	1,819,769
Accounts receivable (note 3)		1,394,344		642,665
Accrued interest receivable		173		1,236
	$	2,229,110	$	2,463,670
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	11,717	$	230,298
Due to Province of Nova Scotia		1,579,611		2,328,492
		1,591,328		2,558,790
FUND EQUITY (DEFICIENCY)				
Fund equity (deficiency)		637,782		(95,120)
	$	2,229,110	$	2,463,670

NOVA SCOTIA E911 COST RECOVERY FUND

Statement of Operations and Fund Equity (Deficiency)
for the year ended March 31, 2004

	2004	2003
Revenue		
Fees	$ 4,486,147	$ 4,287,138
Investment income	23,900	16,380
	4,510,047	4,303,518
Expenses		
911 management, administration and operation (Schedule)	1,572,635	2,328,265
Billing and collection charges	724,694	638,225
Service Nova Scotia and municipal relations digital mapping	600,000	600,000
IWK Poision Centre operations	507,000	482,300
Municipalities	252,300	252,234
Department of Transportation distance markers	71,110	57,000
Allowance for bad debts incurred by carriers (note 4)	49,406	38,056
Carrier meeting	---	2,558
	3,777,145	4,398,638
Excess (deficiency) of revenue over expenses for the year	732,902	(95,120)
Fund deficiency - Beginning of year	(95,120)	---
Fund equity (deficiency) - End of year	$ 637,782	$ (95,120)

NOVA SCOTIA E911 COST RECOVERY FUND

Statement of Cash Flows
for the year ended March 31, 2004

	2004	2003
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	$ 732,902	$ (95,120)
Net change in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	(751,679)	(168,387)
Decrease (increase) in accrued interest receivable	1,063	(1,236)
Increase (decrease) in accounts payable and accrued liabilities	(218,581)	226,220
Increase (decrease) in amount due to the Province of Nova Scotia	(748,881)	819,300
Increase (decrease) in deferred revenue	—	(312,102)
Net change in cash during the year	(985,176)	468,675
Cash and cash equivalents - Beginning of year	1,819,769	1,351,094
Cash and cash equivalents - End of year	$ 834,593	$ 1,819,769

	2004	2003
Cash and cash equivalents is comprised of		
Cash	$ 55,923	$ 1,036,974
Short-term investments	778,670	782,795
	$ 834,593	$ 1,819,769

NOVA SCOTIA E911 COST RECOVERY FUND

Notes to Financial Statements
for the year ended March 31, 2004

1. Description of the Fund

The Nova Scotia E911 Cost Recovery Fund (the "Fund") was established on February 2, 2001, pursuant to the Emergency 911 Act. The purpose of the Fund is to recover costs incurred to carry out Emergency 911 operations by charging a monthly fee to telephone subscribers in Nova Scotia.

On behalf of the Province of Nova Scotia, the 911 service is managed, operated and administered by the Nova Scotia Emergency Measures Organization. These financial statements do not include the assets and liabilities of the Nova Scotia Emergency Measures Organization.

2. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of amounts held on account at financial institutions and short-term investments readily convertible to cash.

Revenue

The Fund recognizes revenue when remittances from carriers owe and collection of the resulting receivable is probable. Any cumulative excess of revenue over expenses of the Fund are deferred to cover cost of operations in future years.

Capital Expenditures

Expenditures of a capital nature are expensed in the Fund as the resultant assets are owned and operated by Emergency Measures Organization.

Management estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. Accounts receivable

Accounts receivable balance represents the net of gross fees receivable less a provision for bad debts and collection charges.

	2004	2003
Gross fees	$ 1,684,279	$ 776,320
Provision for bad debts	(20,772)	(8,987)
Collection charges	(269,163)	(124,668)
	$ 1,394,344	$ 642,665

4. Allowance for bad debts

Under the terms of the Billing and Collection Agreement, prior to remitting fees to the Fund, each carrier may deduct from the gross billings an amount equal to the rate of bad debt experienced by the carrier in the previous month or quarter.

5. Commitment

In 2002, the Nova Scotia Emergency Measures Organization committed to the purchase of a communications system and ongoing maintenance of the system through 2006. The total cost of the system to be expensed and recovered from carriers through the Fund, including maintenance costs, amounts to $2,289,365. At March 31, 2004, $1,921,365 (2003 - $1,695,301) has been paid to the supplier. Amounts payable over the next two years are as follows:

Year ending March 31,	2005	$	184,000
	2006	$	184,000

6. Financial instruments

Fair values

The fair values of the Fund's financial instruments are approximately equal to their carrying values due to their short-term maturity.

NOVA SCOTIA E911 COST RECOVERY FUND

Schedule of 911 Management, Administration and Operations Expenses
for the year ended March 31, 2004

	2004	2003
911 call answer charges	$ 725,319	$ 525,152
Direct salaries and benefits	339,641	292,645
911 call taker equipment purchase	235,324	1,143,480
Telecommunications	75,714	106,297
Professional services	68,376	8,848
Advertising and public information	25,813	14,550
Rent	22,100	—
Staff training	15,250	5,630
In province travel	14,293	18,331
Audit	11,250	3,000
Call taker training	9,717	178,967
Office furniture and equipment	7,542	7,165
Meeting expenses	6,305	5,225
Legal	4,000	4,675
Office supplies	3,848	7,040
Postage, courier and taxi expenses	3,117	910
Rentals of faxes and photocopiers	3,090	2,090
Printing brochures, pamphlets, etc.	1,001	3,240
Parking	935	1,020
	$ 1,572,635	$ 2,328,265

NOVA SCOTIA FARM LOAN BOARD

These financial statements are in draft form only

Draft- Unaudited

NOVA SCOTIA FARM LOAN BOARD

Balance Sheet
March 31, 2004

ASSETS

		2004		2003
				(in thousands)
Cash and cash equivalents (Note 2a)	$	1,459	$	1,828
Interest and other receivables		4,086		3,645
Deposits held by the Province of Nova Scotia		2,395		1,792
Loans receivable (net) (Note 4)		163,249		158,969
Real Estate (Note 5)		4,882		4,445
Total Assets	$	176,071	$	170,679

LIABILITIES

		2004		2003
Provision for future Life Insurance Claims (Note 7)	$	2,350	$	2,350
Advances from the Province of Nova Scotia (Note 8)		172,218		167,265
Total Liabilities		174,568		169,615

EQUITY

		2004		2003
Retained earnings (Note 2g)		1,503		1,064
Total Liabilities and Equity	$	176,071	$	170,679

Commitments and Contingencies (Note 9)

Statement of Operations
Year Ended March 31, 2004

		2004		2003
Revenue				(in thousands)
Interest revenue	$	11,874	$	12,203
Revenue (expense) on life insurance operations (Note 7)		(232)		158
Fee Revenue and other income		572		631
Total Revenue		12,214		12,992
Expense				
Interest expense (Note 2g)		9,914		10,420
Operating E\expenditures (Note 10)		1,161		1,105
Bad debt expense (Note 6)		(1,055)		595
Total Expense		10,020		12,120
Income before government contributions		2,194		872
Government contributions		1,161		1,105
Net Income	$	3,355	$	1,977

Statement of Retained Earnings
Year End as at March 31, 2004

		2004		2003
				(in thousands)
Retained earnings, beginning of year (Note 2g)	$	1,064	$	890
Income before Government Contributions		2,194		872
Distribution to the Province of Nova Scotia (80%)		(1,755)		(698)
		439		174
Retained earnings, end of year	$	1,503	$	1,064

The accompanying notes are an integral part of these financial statements

NOVA SCOTIA FARM LOAN BOARD

Notes to Financial Statements
March 31, 2004

1. Authority

The Nova Scotia Farm Loan Board, a Provincial agency, operates under the authority of the Agricultural and Rural Credit Act. and the Forests Act (for timber Loans). The Board was established to provide assistance to the agricultural sector in the Province.

Principal in loans outstanding is by limited regulation to $200 million. Maximum advances to be disbursed in any given year is established through the annual budgeting process. For the current fiscal year the maximum new advance was $25 million (2002-03 $28 million).

Loans in excess of $2 million require approval by Govenor-In-Council.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are other significant accounting policies used in the preparation of these financial statements.

a) Cash & Cash Restrictions

The Farm Loan Board operates as an agency of the Province of Nova Scotia. All Cash is received and disbursed through accounts managed centrally by the Province.

Cash reported consists of funds held by the Sun Life Assurance Company in relation to the Boards Creditor Group Life Insurance program. A portion of the funds are restricted under the terms of the life insurance contract. The remainder is interenally restricted.

	2,004	2003
	(in thousands)	
Contractually restricted deposits	$ 31	$ 128
Internally restricted deposits	1,428	1,700
	$ 1,459	$ 1,828

b) Statement of Cash Flows

See 2a above, except for funds held by the insurance carrier, the Board holds no cash. All disbursements are drawn from the Province and all receipts are deposited to accounts of the Province. A Statement of Cash Flows has not been provided because it would not provide meaningful additional information.

c) Loans Receivable

Loans receivable is the principal portion of loans outstanding net of the allowance for loan impairment.

Loans are classified as impaired when in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest.

d) Allowance for Impairment

The allowance for impairment represents managements' best estimate of the losses due to impaired loans in the Board's portfolio. The allowance is determined based on management's identification and evaluation of problem accounts and estimated losses that exist in the remaining portfolio. These judgements are influenced by the composition and quality of the portfolio, general economic conditions, and conditions affecting specific commodities as well as the Board's policy to act as patient lender, providing additional time for repayment, where full future repayment seems reasonable.

The Provision is established in two components: 1) A Specific Reserve based on a loan-by-loan review is established to value impaired loans at the lower of their recorded investment or the estimated realizable amount of their underlying security. 2) A general reserve is an estimate of probable but unidentified losses in the portfolio that have not been included in the specific reserve. This estimate is based on general and commodity specific economic conditions, as well as past experience and a comparison of allowances made by other similar lenders.

The allowance for impairment is an accounting estimate based on historic loan experience and an assessment of current conditions. Events may occur that render the underlying assumptions invalid and thus cause actual credit losses to vary significantly from management's estimate.

e) **Real Estate acquired in settlement of loans**

Real estate acquired in settlement of loans which is held for sale is initially recorded at the lower of the recorded investment in the foreclosed loan and the estimated fair value based on the resale value of security held less disposal costs.

Net operating costs incurred on real estate held for sale are added to the carrying value of the property. The related provision is used to adjust the carrying value to net realizable value, resulting in inclusion of these costs in the expense for bad debts.

f) **Real Estate acquired for leasing or other purposes**

The Board holds land purchased under a Provincial 'Landbank' program and under a Federal-Provincial Agriculture and Rural Development Agreement' (ARDA). Both of these programs have ceased to exist however existing properties and leases continue with renewable five year terms. Property acquired under these programs is valued at cost less the unamortized value of the Federal contribution to the ARDA program. The Federal contribution is amortized to other income when related properties are sold. Lease clients are entitled to purchase the related property at its original purchase costs.

g) **Capital Assets**

The Board applies the capitalization policies of the Province to assets and improvements purchased. No assets acquired by the Board meet the minimum guidelines for capitalization.

h) **Interest Expense and Retained Earnings**
(Memorandum of Understanding(MOU))

A Memorandum of Understanding dated March 16, 1999 between the Nova Scotia Farm Loan Board and the Nova Scotia Department of Finance formalized the Board's funding arrangement and enables the Board to retain 20% of its income for future use (as Retained Earnings). The agreement took effect as of April 1, 1998.

Under the MOU arrangement, the Board estimates projected lending requirements on a quarterly basis. The Department arranges the requested financing for terms requested and provides that to the Board at interest rates related to the terms and volumes requested. Funding is maintained to cover the Board's investment in loans receivable and in real estate. The Board tracks the draws arranged with the Department of Finance and computes the interest cost based on the terms of these draws. Actual financing costs are included as interest costs of the Province.

Also under the terms of the MOU, the Board is entitled to set aside 20% of its income before Government Contributions as Retained Earnings. Funds related to the Retained Earnings are included in 'Deposits held by the Province of Nova Scotia' and may be used by the Board for specific stated purposes, subject to the approval of the Department of Finance.

i) **Interest Recognition**

Interest is recognized when earned. Recognition of interest on impaired loans is offset by the allowance for impairment and bad debt expense. Interest recognition ceases on loans when the requirement to recover on security becomes likely.

j) **Fee Revenue**

All loan related fees are reported as revenue in the period in which they were earned.

k) **Measurement Uncertainty**

Preparation of the Board's financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Significant assumptions are required in determination of the allowance for impaired loans and the provision for future life insurance claims. See notes related to those sections for additional information. Actual results may differ.

l) **Risk Management**

Credit Risk

The risk that clients may not pay amounts owing on loans and lease accounts, resulting in a loss to the Board is managed through an initial assessment of the client's ability to pay, and by review and follow-up of delinquent accounts by loan officers. In cases in which the client is unable to make payments due to cyclical industry, or other temporary difficulties it is the Board's policy to work with clients on a individual basis to provide time for recovery.

Liquidity Risk

The Province of Nova Scotia provides funding and cash management services to the Board. There is no risk that funds will be unavailable to meet lending commitments except to the extent of legislative and budgetary limitations on lending authority as identified in note 1.

Interest Rate Risk

In order to mitigate the risk that future changes in interest rates may affect net interest revenue, the Board attempts to match terms of loans offered with those of funds drawn through the Province. Nearly all (97%) of loans provide for an optional 10% repayment at any time during each calendar year and optional full repayment on each 5 year anniversary. All loans are contracted for the full term of their amortization. Funds drawn through the Province provide for 10% annual and 5 year full optional repayments.

3. Deposits held by the Province of Nova Scotia

See note 2a regarding the Board's ability to hold cash. Deposits held by the Province represent funds deposited by the Board which will be available for future use.

	March 31, 2004 (in thousands)	March 31, 2003 (in thousands)
Insurance deposit..	$ 892	$ 728
This consists of funds received as a result of past surpluses within the self-administered Creditor Group Life Insurance Program. These funds are internally restricted to insurance related purposes.		
Retained Earnings deposit	1,503	1,064
These funds are composed of the accumulated 20% portion of annual net income held by the Province for use by the Board, subject to approval by the Department of Finance.		
	$ 2,395	$ 1,792

4. Loans Receivable (principal)

Summarized by anticipated repayment based on loan payment schedules and maturities. Values based on book value of funds disbursed less principal portion of repayments to date. Allowance for impaired adjusts value to anticipated amount recoverable. Government approval for write-off is submitted after all security has been realized and a deficiency remains.

	2004 (in thousands) Under 1 year	1 to 5 yrs	Over 5 years	Total
Farm loans	$ 22,930	$ 30,799	$ 111,363	$ 165,092
Timber loans	305	587	524	1,416
Performing loans	$ 23,235	$ 31,386	$ 111,887	$ 166,508
Average effective annual interest rate	6.78%	6.76%	6.88%	
Less: Allowance for impairment				3,259
Loans receivable (net)				$ 163,249
Principal receivable on impaired Loans (included in above)				$ 7,362

	2003 (in thousands) Under 1 year	1 to 5 yrs	Over 5 years	Total
Farm loans	$ 19,107	$ 27,346	$ 115,112	$ 161,565
Timber loans	431	637	733	1,801
Performing loans	$ 19,538	$ 27,983	$ 115,845	$ 163,366
Average effective annual interest rate	7.23%	7.20%	7.32%	
Less: Allowance for impairment				4,397
Loans receivable (net)				$ 158,969
Principal receivable on impaired Loans (included in above)				$ 6,526

Sector distrubtion

Performing Loans
(in thousands)

	2004		2003	
Dairy	$ 49,623	29.9%	$ 51,677	31.6%
Poultry	25,579	15.4%	25,272	15.5%
Hog	20,500	12.3%	16,519	10.1%
Beef	13,066	7.8%	13,233	8.1%
Blueberries	7,966	4.8%	8,195	5.0%
Fur	6,943	4.2%	6,996	4.3%
Greenhouse	7,680	4.6%	8,747	5.4%
Apple	4,213	2.5%	4,399	2.7%
Other Fruit	2,983	1.8%	3,160	1.9%
Vegetables & Other Crops	11,254	6.8%	11,875	7.3%
Other	15,287	9.2%	11,492	7.0%
Timber	1,414	0.8%	1,801	1.1%
	$ 166,508	100.1%	$ 163,366	100.0%

5. **Real Estate -** lower of cost and net realizable value

	March 31, 2004	March 31, 2003 (in thousands)
Real estate held for resale	$ 6,074	$ 5,620
Less: Allowance for impairment/adjustment to net realizable value	3,284	3,496
Net Real Estate held for resale	2,790	2,124
Real Estate held for long-term use:		
Land bank	1,520	1,719
Land consolidation		
Agricultural Rural Development Agreement (ARDA)	66	83
Less: Federal Government share of ARDA Properties	(34)	(43)
Property used by NS Agricultural College and Community Pastures	540	562
Total Property acquired for long-term use	2,092	2,321
Total Real Estate	$ 4,882	$ 4,445

6. Allowance for Impairment

(in thousands)

	Loans	Real Estate	Total
Opening Allowance:			
Principal	$ 4,398	$ 3,496	$ 7,894
Related interest	394	172	566
Total	4,792	3,668	8,460
Write-offs net of current period recoveries	---	(322)	(322)
Current year adjustments	259	80	339
Recoveries	(1,376)	(19)	(1,395)
Allowance, end of year:			
Principal	3,259	3,284	6,543
Related interest	416	123	539
Total	$ 3,675	$ 3,407	$ 7,082

	March 31, 2004	March 31, 2003
Specific Provision	$ 5,860	$ 5,634
General Provision	1,222	2,616
Total	$ 7,082	$ 8,250

Loans and Real Estate for which a specific allowance has been identified	$ 14,806	$ 14,000
Remaining loans against which a general provision has been established	170,113	159,995
Total	$ 184,919	$ 173,995

As the result of an analysis conducted during the year by management, reviewing historical write offs and total provisions by other similar lenders the general provision was reduced from 1.75% to 0.80% of the unimpaired portfolio effective for the 2004 provision. This change resulted in a recovery of previously reported bad debt expense in the amount of $1,055,000. [General provision is reduced 50% on funds issued during the fiscal year].

7. Provision for future Life Insurance Claims

The Board requires borrowers to participate in a group life insurance program administered by the Board. The terms of the agreement with the Board's insurance carrier provide that claims above 125% of the total annual client premiums will be the cost of the insurance carrier. Claims up to that point and administrative costs must be met through premiums received or funded by the Board.

The provision is an estimate of future insurance costs to the Board as a result of claims existing loans that exceed 100% of the annual premium. The estimate has been established by management based on periodic actuarial study of the portfolio adjusted in interim years in proportion to significant changes in the loan portfolio balance. The most recent actuarial study was completed in November 2001.

Any excess or shortfall in this provision at year-end is reported on the operating statement as income or expense.

8. Advances from the Province of Nova Scotia

These represent outstanding amounts provided by the Province of Nova Scotia to fund loans issued by the Farm Loan Board. Interest is calculated in accordance with memorandum of understanding with the Department of Finance (note 1h).

9. Commitments and Contingencies

The Board will hold interest rates for ninety days for any client from the date of receipt of approval of a loan application if interest rates increase.

As at March 31, 2004 the Board had authorized loans of $2,646,000 (2003 - $6,447,000) which had not been disbursed.

The loan interest rate on outstanding approved commitments at March 31, 2004 was 5.80%.

The Board is aware of environmental issued on two properties used to secure loans at March 31, 2004. Legal responsibility and cleanup costs are not yet resolved. Total cleanup costs are estimated to be between $30,000 and $300,000.

There were no legal claims being pursued against the Board at March 31,2004.

10. Operating Expenses

	March 31, 2004 (in thousands)	March 31, 2003
Salaries	$ 999	$ 944
Supplies and services	44	44
Travel	47	49
Training and development	23	10
Professional/Special Service	36	16
Equipment Other	12	42
Board operating expenses	$ 1,161	$ 1,105

11. Related Party Transactions

The Board is related to all other departments, agencies, boards, and commissions of the Province of Nova Scotia. The Nova Scotia Department of Finance is the sole source of funding for loans (See Note 2g). Property used by the Nova Scotia Agricultural College' is property purchased by the Board for College use and will eventually be transferred to another government department. Transactions with other Provincial entities were entered into in the normal course of business.

12. Pension and post-retirement benefits

All full time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Province of Nova Scotia and any unfunded liability as well as other obligations related to post-retirement benefits are the responsibility of the Province. It is not anticipated that any such future costs would be allocated to the Board.

13. Comparative figures

Certain 2003 figures have been restated to conform with the current year's presentation.

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
NOVA SCOTIA FILM DEVELOPMENT CORPORATION:

We have audited the balance sheet of Nova Scotia Film Development Corporation as at March 31, 2004 and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations for the year then ended in accordance with the generally accepted accounting principles.

LEVY CASEY CARTER MACLEAN
CHARTERED ACCOUNTANTS

Halifax, Nova Scotia
May 14, 2004

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Statement of Financial Position
March 31, 2004

ASSETS

	2004	2003
Current		
Cash and short term investments	$ 914,863	$ 1,339,928
Other receivables	105,987	185,811
Prepaid expenses	21,111	35,120
	1,041,961	1,560,859
Capital assets (note 3)	21,400	7,806
	$ 1,063,361	$ 1,568,665

LIABILITIES

	2004	2003
Current		
Payables and accruals, trade	$ 79,454	$ 69,503
Commitments payable (note 4)	906,216	1,421,516
Deferred revenue	73,902	69,839
	1,059,572	1,560,858

NET ASSETS

	2004	2003
Surplus	3,789	7,807
	$ 1,063,361	$ 1,568,665

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Statement of Operations and Changes in Net Assets
year ended March 31, 2004

	Total 2004	Total 2003
Revenue		
Contributions from the Department of Economic Development	$ 2,738,526	$ 2,388,700
Recovery of equity investments and development loans (notes 6 & 7)	258,049	147,493
First Works	—	70,889
Interest and other income	121,485	84,929
	3,118,060	2,692,011
Expenditures		
Equity investments (note 6)	2,346,630	1,738,137
Project development loans (note 7)	88,398	234,479
Special projects	142,084	208,036
Training assistance, net of recoveries	(10,334)	(955)
First Works	—	66,820
Advertising and marketing (page 281)	180,179	161,656
Administrative expenses (page 281)	375,121	360,762
	3,122,078	2,768,935
Deficit of revenues over expenditures	(4,018)	(76,924)
Net assets, beginning of year	7,807	84,731
Net assets, end of year	$ 3,789	$ 7,807

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31,2004

1. Authority

The Nova Scotia Film Development Corporation was incorporated through an act proclaimed by the Governor in Council on August 1, 1990. The chief purpose of the Corporation is to promote the development of, and to create and stimulate employment and investment in, the Nova Scotia film and video industry by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Nova Scotia Film Industry Tax Credit Program, including registration of productions and review of tax credit applications.

2. Significant accounting policies

a) A statement of cash flows is not provided since disclosure in the statement of operations and changes in net assets is considered adequate.

b) Program loans and equity participation are recorded as a liability when the funding is formally committed. Recoveries derived from equity investments and development loans are recorded as revenue when received. It is not feasible to accrue recoveries from equity investments and project development loans since these recoveries remain uncertain until received, as they are based upon the financial results of the recipients' activities.

3. Capital assets

	2004				2003
	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment . . .	50%	$ 11,013	$ 5,738	$ 5,275	$ 5,970
Computer software.	50%	18,356	5,022	13,334	867
Equipment.	20%	3,317	526	2,791	969
		$ 32,686	$ 11,286	$ 21,400	$ 7,806

Amortization is calculated using the declining balance method, at rates based on the estimated useful life of the assets, as indicated above.

4. Commitments

Because of the lead times required to obtain all the resources necessary to complete film and video productions, the Corporation approves applications for funding which may not be disbursed until subsequent fiscal periods.

5. Costs Paid by the Province of Nova Scotia

During the year, services were provided to the Corporation by government departments and the estimated value of these services are as follows:

	2004	2003
Legal services	$ 25,000	$ 60,000
Rent	25,000	25,000
	$ 50,000	$ 85,000

The value of these services is not reflected in these financial statements.

6. Equity Investments

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefit to Nova Scotians. Equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as received.

During the year the Corporation received $179,311 (2003 - $83,514) in the recovery of equity investments. The total of equity investments of the Corporation March 31, 2004 is $23,061,442. As at March 31, 2004, $1,260,397 has been recouped.

7. Project Development Loans

The Corporation provides loans to qualified applicants to support the essential process of development which takes an idea through the stages of research, writing, market analysis and costing, which must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production. Project development loans are interest free and are to be repaid the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party. Total development loans outstanding on March 31, 2004 were $1,923,199 (2003 - $1,850,714). Development loans of $78,738 (2003 - $63,979) were recouped during the year.

8. Public Service Superannuation Fund

All full-time employees of the Corporation are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The Public Service Superannuation Fund is administered by the Department of Finance. During the year, the Corporation contributed $15,796 to the fund.

9. Economic Dependence and Related Party Transactions

The Province of Nova Scotia is a related party of the Corporation. The Corporation is dependant on the Office of Economic Development for annual funding. Details of any transactions between these related parties are separately disclosed.

10. Comparative Figures

Certian of the comparative figures are restated to conform with current year's presentation.

11. Prior Period Adjustment

In an effort to fully conform with Generally Accepted Accounting Principles, the Corporation has implemented a change in accounting policy for both capital assets and commitments payable:

The financial information for 2003 has been restated to reflect a change in accounting policy for capital assets. The Corporation previously recorded capital assets as current expenditures. The policy has been changed to record capital expenditures as capital assets and to amortize these assets as indicated in Note 3.

The financial information for 2003 has also been restated to reflect the change in accounting policy for commitments payable. The Corporation previously recorded program disbursements as expenditures as the funds were disbursed. The policy has been changed to accrue these commitments as liabilities and to record the program expenses when the amount is formally committed.

As a result of these changes, the 2003 operating deficit has decreased to $76,924 from $463,100 and total net assets has been decreased to $7,807 from $1,421,516.

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Schedule of Advertising and Marketing Expenses
and Schedule of Administrative Expenses
year ended March 31, 2004

Advertising and Marketing Expenses:

	2004	2003
Advertising	$ 17,925	$ 38,388
Amortization	4,300	—
Annual report	2,381	3,467
Business travel and expenses	41,118	42,770
Familiarization tour and marketing materials	5,486	13,291
Library update	10,376	41
Location scout	10,900	7,200
Photos/location services	10,998	11,829
Production guide, net of receipts of $49,998 (2003 - $58,883)	2,587	(483)
Salaries and benefits	74,108	45,153
	$ 180,179	$ 161,656

Administrative Expenses:

	2004	2003
Amortization	$ 4,599	$ 2,387
Bank charges	1,954	2,363
Board honorarium and expenses	12,780	20,739
Conference/marketing	2,959	2,250
Consultants	18,738	4,043
Courier services	419	1,807
Dues, fees and subscriptions	6,878	5,533
Insurance	1,957	1,962
Office supplies	15,159	14,921
Photocopier/fax rental	4,002	4,251
Postage	4,086	5,657
Professional fees	5,140	6,560
Repairs and maintenance	262	—
Salaries and benefits	282,933	276,349
Staff training	7,737	4,839
Telephone and fax	5,518	7,101
	$ 375,121	$ 360,762

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Agriculture and Fisheries

I have audited the balance sheet of the Nova Scotia Fisheries and Aquaculture Loan Board as at March 31, 2004 and the statements of revenues, expenditures and accumulated surplus, and continuity of fund for the year then ended. These financial statements are the responsibility of the Loan Board's management. My responsibility is to express an opinion on these financial statements based upon my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Fisheries and Aquaculture Loan Board as at March 31, 2004 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 29, 2004

NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD

Balance Sheet
March 31, 2004

ASSETS

	2004	2003
Loans receivable	$ 71,100,660	$ 67,309,985
Accrued interest receivable	1,707,955	1,601,093
Due from Consolidated Fund - Department of Finance (Note 3)	65,747,735	69,616,073
	$ 138,556,350	$ 138,527,151

LIABILITIES AND FUND BALANCE

	2004	2003
Liabilities		
Applicants' funds on deposit	$ 378,126	$ 405,788
Due to Department of Finance	1,707,955	1,601,093
Fisheries and Aquaculture Development Fund	136,470,269	136,520,270
	$ 138,556,350	$ 138,527,151

Commitments (Note 4)

The accompanying notes are an integral part of these financial statements

NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD

Statement of Revenues, Expenditures and Accumulated Surplus for the year ended March 31, 2004

	2004	2003
Revenues		
Interest income	$ 5,492,696	$ 4,945,114
Loan fees	151,060	188,361
	5,643,756	5,133,475
Expenditures		
Interest expense (Note 5)	2,872,152	3,611,010
Salaries and benefits	485,076	555,006
Board honoraria	4,100	5,050
Travel	54,083	60,020
Office expense	28,270	45,167
Bad debts (net of recoveries)	41,424	954,148
	3,485,105	5,230,401
Surplus (deficit) before Government contribution	2,158,651	(96,926)
Contribution by Department of Agriculture and Fisheries (Note 6)	612,953	1,619,391
Surplus	2,771,604	1,522,465
Distribution to Department of Finance (Note 6)	2,771,604	1,522,465
Accumulated Surplus	$ —	$ —

Statement of Continuity of Fund for the year ended March 31, 2004

	2004	2003
Balance, beginning of year	$ 136,520,270	$ 137,474,418
Deduct: Bad debts expenditure	50,001	954,148
Balance, end of year	$ 136,470,269	$ 136,520,270
Comprising:		
Loans receivable	$ 71,100,660	$ 67,309,985
Loans authorized but unadvanced (Note 4)	4,909,114	4,617,923
Aquaculture loan guarantees (Note 3)	370,000	2,800,000
Uncommitted Fund balance	60,090,495	61,792,362
	$ 136,470,269	$ 136,520,270

The accompanying notes are an integral part of these financial statements

NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD

Notes to Financial Statements
March 31, 2004

1. Authority

The Fisheries and Aquaculture Development Fund is established pursuant to Section 34 of the Fisheries and Coastal Resources Act. The purpose of the Fund is to finance the loans and guarantees of the Nova Scotia Fisheries and Aquaculture Loan Board.

The object and purpose of the Board is to make loans and guarantees of loans to fishers, aquaculturists, companies, cooperatives, associations or other persons in order to encourage, sustain, improve and develop the fishing industry in the Province.

2. Financial Reporting and Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles which for purposes of the Board's financial statements are represented by accounting recommendations of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements. No statement of cash flow is included in these financial statements because the Board has no cash accounts and the statement would not provide useful information.

These financial statements have been prepared using the following significant accounting policies:

Revenues
Revenues are recorded on the accrual basis. The main components of revenue are interest and various fees for loans and guarantees.

Expenditures
Expenditures are recorded on the accrual basis. Net expenditures include recoveries which are directly related to the expenditures and are not normally considered to be revenues. Provisions are made for probable losses on certain loans and loan guarantees. These provisions are updated as estimates are revised, at least annually.

Assets
Loans receivable are recorded at the principal amount less valuation allowances. Any loan write-offs must be approved by the Governor-in-Council. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

Measurement Uncertainty
Measurement uncertainty exists in financial statements when recorded amounts such as loan valuation allowances are based on assumptions or estimates. Accuracy of these numbers depends on the completeness and quality of information available when the recorded amount is derived. There could be significant variances between the estimates recorded and the actual results achieved.

3. Due from Consolidated Fund - Department of Finance

	2004	2003
Loans authorized but unadvanced	$ 4,909,114	$ 4,617,923
Aquaculture loan guarantees	370,000	2,800,000
Applicants' funds on deposit	378,126	405,788
Uncommitted Fund balance	60,090,495	61,792,362
	$ 65,747,735	$ 69,616,073

Guarantees - On August 30, 1995 the government's Priorities and Planning Committee approved the Nova Scotia Acquaculture Development Strategy. On April 1, 1996 the aquaculture loan and guarantee program was transferred from the former Nova Scotia Economic Renewal Agency to the Board, along with $1,000,000 of existing loan guarantees. The strategy provided approval for capital advances and guarantees of $2.0 million per year, until March 31, 2001.

4. Commitments

Commitments total $4,909,114 (2003-$4,617,923). Commitments are loans which have been approved by the Board but cash advances for the loans have not been made by year end.

5. Interest Expense

Loans provided by the Board are funded through advances by the Department of Finance. Interest expense is calculated by the Board based on an estimate by the Department of Finance of the rate at which the Province could borrow funds over the next quarter.

6. Contributions and Surplus

Expenses of the Board other than interest expense are paid by the Department of Agriculture and Fisheries on behalf of the Board. The operating surplus or deficit of the Board is retained in the Consolidated Fund of the Province.

7. Public Service Superannuation Fund

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Board is not responsible for any unfunded liability.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the balance sheet of the Nova Scotia Gaming Corporation as at March 31, 2004 the statement of income and payment to the Province, the statement of retained earnings and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 26, 2004

NOVA SCOTIA GAMING CORPORATION

Balance Sheet
As At March 31, 2004

ASSETS

	2004	2003
	(in thousands)	
Current		
Cash and short-term investments (Note 3)	$ 14,770	$ 19,042
Cash - restricted (Note 2)	5,113	6,704
Inventory, at cost	2,135	2,571
Prepaids	1,285	404
	23,303	28,721
Long-term		
Cash - Casino Replacement Reserve (Notes 3 and 9)	5,287	5,746
Deferred charges (Note 2)	480	516
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation (Note 6)	1	1
Capital assets (Note 7)	123,142	138,092
	128,911	144,356
	$ 152,214	$ 173,077

LIABILITIES

	2004	2003
Current		
Accounts payable	$ 1,451	$ 2,226
Deferred lottery revenue	358	928
Liabilities for unclaimed prizes (Note 2)	5,113	6,704
Capital obligation - current portion (Note 8)	37,394	32,849
Due to operators (Note 12)	11,462	14,105
Due to Atlantic Gaming Equipment Limited- current portion	14,808	13,539
Due to Nova Scotia Gaming Foundation	85	74
Due to Province of Nova Scotia	23,493	18,570
	94,164	88,995
Long-term		
Due to Atlantic Gaming Equipment Limited	21,352	32,340
Capital Obligation (Note 8)	28,116	43,561
	49,468	75,901
	143,632	164,896

EQUITY

	2004	2003
Casino Capital Replacement Reserve (Note 9)	8,582	8,181
	$ 152,214	$ 173,077

Contingencies and Commitments (Notes 3, 5,11, and 13)

See accompanying notes to the financial statements.

NOVA SCOTIA GAMING CORPORATION

Statement of Income and Payment to the Province
For the Year Ended March 31, 2004

(in thousands)

	2004							2003						
	Lotteries (Sch. I)		Casinos (Sch. II/III)		Responsible Gaming	Other (Sch. IV)		Lotteries (Sch. I)		Casinos (Sch. II/III)		Responsible Gaming	Other (Sch. IV)	
	Ticket Lottery	Video Lottery	Halifax	Sydney			Total	Ticket Lottery	Video Lottery	Halifax	Sydney			Total
Revenues	$ 206,281	$ 182,909	$ 71,886	$ 23,491	$ ---	$ 264	$ 484,831	$ 212,259	$ 182,104	$ 71,633	$ 28,253	$ ---	$ 653	$ 494,902
Expenses	167,892	65,020	68,304	19,692	2,883	3,227	327,018	167,258	64,178	64,959	20,624	2,248	2,653	321,920
Net Income	38,389	117,889	3,582	3,799	(2,883)	(2,963)	157,813	45,001	117,926	6,674	7,629	(2,248)	(2,000)	172,982
Win tax	---	---	12,933	4,324	---	---	17,257	---	---	12,826	5,251	---	---	18,077
Payment to Province	$ 38,389	$ 117,889	$ 16,515	$ 8,123	$ (2,883)	$ (2,963)	$ 175,070	$ 45,001	$ 117,926	$ 19,500	$ 12,880	$ (2,248)	$ (2,000)	$ 191,059

Statement of Retained Earnings
For the Year Ended March 31, 2004

(in thousands)

	2004	2003
Retained earnings, beginning of year	$ ---	$ ---
Net Income	157,813	172,982
Net income paid to Province	(157,813)	(172,982)
Retained earnings, end of year	$ ---	$ ---

See accompanying notes to the financial statements.

NOVA SCOTIA GAMING CORPORATION

Statement of Cash Flows
For the Year Ended March 31, 2004

	2004	2003
	(in thousands)	
Operating		
Net Income	$ 157,813	$ 172,982
Allocation of income to Province	(157,813)	(172,982)
Depreciation and amortization	7,011	7,407
Net changes in working capital (Note 15)	537	10,588
	7,548	17,995
Financing		
(Decrease) increase in obligation to Atlantic Gaming Equipment Limited	(9,719)	17,033
Reduction of capital obligation	(10,900)	(13,729)
	(20,619)	3,304
Investing		
Decrease in (purchase of) capital assets, net additions	7,939	(18,727)
Increase in Casino Capital Replacement Reserve, net of cash increase	860	634
	8,799	(18,093)
Net Increase (decrease) in cash & cash equivalents	(4,272)	3,206
Cash, beginning of year	19,042	15,836
Cash, end of year	$ 14,770	$ 19,042

See accompanying notes to the financial statements.

NOVA SCOTIA GAMING CORPORATION

Notes to the Financial Statements
For the Year Ended March 31, 2004

1. Description of Business

The Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the Gaming Control Act. The purpose of the Corporation is to develop, undertake, organize, conduct and manage casinos and other lottery schemes on behalf of the Province.

2. Accounting Policies

a) Basis of Presentation
The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b) Casino Revenues
In accordance with industry practice, casino revenues are reported as the net win from gaming activities, which is the difference between amounts wagered and amounts paid as winnings. Casino revenues are reported net of accruals for anticipated amounts to be paid as winnings for progressive slot machine jackpots.

c) Ticket Lottery Revenues
In accordance with industry practice, gross ticket lottery sales are recorded before deducting sales discounts and prize expense.

d) Video Lottery Revenue
In accordance with industry practice, video lottery revenues are reported as the net revenues from video lottery activities, which is the difference between amounts wagered and amounts paid as winnings.

e) Income Guarantee
In accordance with the Operating Contract between Metropolitan Entertainment Group (Operator), the Corporation and Sheraton International Inc. (Guarantor), an income guarantee was provided to the Corporation which provided that if Total Provincial Revenue was less than $25 million in each of the four years ended July 31, 1999, then the Operator would pay to the Corporation an amount equal to the difference between Total Provincial Revenue and $25 million.

If Total Provincial Revenue exceeded $25 million in any year through to July 31, 2000, any previous guarantee payments paid by the Operator to the Corporation would be recovered to the extent Total Provincial Revenue was in excess of $25 million in such year. The Corporation records any repayments to the Operator as a reduction of net income of the Corporation. (Note 3)

f) Capital Assets
Capital Assets are stated at cost less accumulated amortization.

Amortization of the Corporation's head office capital assets is provided on the declining balance basis at the following annual rates:

Computer equipment	30%
Furniture and equipment	20%

Amortization of the Halifax and Sydney casino assets is recorded on a straight-line basis according to their estimated useful lives at rates between 2.5% and 20%.

Amortization of the Corporation's capital assets used in the operation of its lottery businesses is recorded on the straight-line basis according to their estimated useful lives at rates between 10% and 33%. Leasehold improvements are amortized over the remaining lease term, including one renewal period.

g) **Nova Scotia Gaming Foundation Contribution**
VLT retailers in Nova Scotia have agreed, under the terms of their retailer agreements with the Atlantic Lottery Corporation Inc., to contribute 1% of their VLT commission to the Nova Scotia Gaming Foundation. The Corporation has agreed to contribute an amount equal to all contributions made by the VLT retailers.

h) **Deferred charges**
The deferred charges relate to payments made to site holders to remove video lottery terminals from certain sites. These costs are being amortized on a straight-line basis over five years.

i) **Long-term Investments**
Investments in the Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation are recorded using the cost method of accounting for investments.

j) **Unclaimed Lottery Prizes**
Unclaimed prizes from regional lottery games are retained in a prize fund for one year from the announced beginning date of the draw. Prizes of national lottery games are funded directly by the Interprovincial Lottery Corporation, with the exception of prizes for certain free tickets, which are paid out of general funds as incurred.

k) **Change in Accounting Policy**
During the year, the Atlantic Lottery Corporation Inc. changed its method of recording prize expense for regional online draw games. Prize expense for the year ended March 31, 2004 is recorded based on the theoretical prize expense for each game. The actual expense incurred each year will vary from the estimate based on the nature of games of chance. Over the long term it is expected that the actual prize expense will approximate the theoretical expense. In previous years, the prize expense was recorded at the actual expense incurred.

This accounting change has been applied prospectively as it was deemed impractical to calculate the theoretical prize expense for all regional online draw games and due to the fact that the profits of the Atlantic Lottery Corporation Inc. are distributed annually based on the accounting policies and profit agreement in place at that time. As a result, retained earnings was not restated for the change in policy. The impact of this change in accounting policy was to increase net profit and decrease liabilities in 2004 by $1,595,000.

l) **Use of Estimates**
In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Casino Nova Scotia

a) Operating Contract

i) Term and Structure

On May 31, 1995, the Corporation entered into an Operating Contract with Metropolitan Entertainment Group (Operator), then a partnership between ITT Sheraton Canada Ltd. (now Park Place Entertainment Scotia Limited) and Purdy's Wharf Development Limited (now East Port Properties Ltd.), to operate casinos in Halifax and Sydney for a period expiring on December 31, 2015.

ii) Payments to Operator

The Operator is entitled to certain payments from each casino, calculated with reference to the following items, which are listed in Section 4.7 of the Operating Contract:

- an amount based upon the Operator's Capital Investment in Halifax ($92.0 million total, $59.6 million outstanding) and Sydney ($23.2 million total, $3.1 million outstanding) with respect to each casino complex, to be amortized straight-line over a ten year term in the Sydney casino and a seven year term in the Halifax casino, with interest calculated monthly at 12% per annum on the total outstanding capital investment;

- an amount equal to not less than 1.5% of casino revenue before casino win taxes (20%) to fund a capital replacement reserve;

- an amount equal to 3% of casino revenue before casino win taxes (20%) in Sydney as a Base Fee and 10% of casino revenue less casino win taxes, the Base Fee and Operating Expenses as an Incentive Fee;

- an amount equal to the Operator's shortfall in any one year that income is insufficient to make payments, as described above; and,

- an amount equal to 35% of cash available for distribution in Halifax.

iii) Operating Period

Net operating income earned by the Corporation is calculated based upon the operating period defined in the Operating Contract as January 1 - December 31. Any net operating income earned by the Corporation during the period January 1 - March 31, 2004 is subject to adjustment for the results of operations in the period April 1 - December 31, 2004.

b) Cash in Casino Accounts

Under the Operating Contract, the cash is managed by the Operator on behalf of the Corporation. The Corporation has included $8,586,000 (2003 - $12,577,000) in cash from the Casino Accounts on the Balance Sheet.

c) Income Guarantee

The income guarantee and clawback periods were over on July 31, 2000.

In 2002-03, the Corporation received $1,069,000 in HST savings related to the income guarantee and clawback periods, which was repaid to the Operator.

d) Casino Option Contract

Upon expiration of the Operating Contract in 2015, the Corporation has the option to purchase the Halifax and the Sydney casino complexes, including capital assets and working capital totalling $3.1 million for the price of $1.00. The Corporation also has an option to purchase each of the two casino complexes in year 10 or year 15 of the Contract. Triggering the option in either 2005 or 2010 automatically results in the termination and cancellation of the Operating Contract.

The Corporation is required to provide notice to the Operator between December 31, 2004 and March 31, 2005 if it intends to exercise the 2005 option.

e) Capital Replacement Reserve

A capital replacement reserve is intended to provide for replacement of casino capital assets. It is based on the following percentage of annual gross operating revenues of the casinos:

Halifax	1.5%
Sydney (April 1, 2003 to December 31, 2003)	1.5%
Sydney (January 1, 2004 to March 31, 2004)	4.5%

f) Recovery of HST

The Corporation received recovery of HST of $6.7 million in 2002-03, which is net of HST on the equity repayment, fees and repayment to the operator for rebates related to the income guarantee and clawback periods.

4. Atlantic Lottery Corporation Inc.

a) Profit Distribution

In 1976, the Atlantic Lottery Corporation Inc. was set up by the four Atlantic Provinces to operate lottery and gaming activities in the region.

The Atlantic Lottery Corporation Inc. is the Corporation's exclusive agent to operate ticket lotteries and video lotteries in Nova Scotia. Each of the Corporation, Province of Newfoundland, Lotteries Commission of New Brunswick and Prince Edward Island Lotteries Commission own 25 per cent of the Atlantic Lottery Corporation Inc.

b) Agency Agreement

The Corporation entered into an Agency Agreement (the "Agreement") with the Atlantic Lottery Corporation Inc. whereby the Corporation has appointed the Atlantic Lottery Corporation Inc. to operate ticket and video lotteries in Nova Scotia as an agent of the Corporation on the terms and conditions set out in the Agreement. Under the Agreement, the Atlantic Lottery Corporation Inc. cannot make any material change relating to the conduct and management of lotteries in Nova Scotia without the approval of the Corporation. The Agreement has not yet been signed; however, it has been implemented operationally since April 1, 2000. Management does not believe that there will be any significant changes to the financial statements as a result of signing the Agreement.

The Agreement requires that the Corporation's revenues be kept in a separate account and not co-mingled with those of the other provinces. The Corporation's costs are to be deducted from its account. The Agreement clarified that assets acquired or liabilities incurred by the Atlantic Lottery Corporation Inc. exclusively for the operation of the lotteries in Nova Scotia are the Corporation's. As a result, for financial statement reporting purposes, the Corporation has included these assets and liabilities on its balance sheet, with the balance recorded as amounts due to the Atlantic Lottery Corporation Inc. or Atlantic Gaming Equipment Limited (a subsidiary of the Atlantic Lottery Corporation Inc.), as appropriate. The Corporation has not recorded any portion of those assets and liabilities that are shared by all Atlantic Lottery Corporation Inc. shareholders in which the Corporation has an interest, the treatment and valuation of which has not yet been determined. This includes common capital assets.

The amounts due to the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited represent a portion of the Atlantic Lottery Corporation Inc.'s line of credit, which bears interest at prime less 1% on borrowings equal to funds on deposit and prime for amounts borrowed in excess of funds on deposit and bank term loans. These loans have various terms and interest rates from 4.56% to 5.64% maturing at various dates through November 2007. The line of credit is secured by a general security agreement over all assets of the Atlantic Lottery Corporation Inc., and those owned by the Corporation. The bank term loans are secured by a general security agreement over present and future assets held by the Atlanic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited and an indenture of subordination from the Corporation up to the value of assets utilized directly for the benefit of Nova Scotia.

The assets and liabilities recorded by the Corporation are recorded for financial statement reporting purposes only and do not necessarily represent the values that the Corporation would take if it were to withdraw from the Atlantic Lottery Corporation Inc.

5. Special Payments and Bonus Commissions

The Corporation is obligated to make direct payments annually to three provincial government bodies as follows:

	2004 (in thousands)	2003
The Department of Tourism, Culture and Heritage (in support of the NS Cultural Federations)	$ 50	$ 50
The Department of Agriculture and Fisheries (in support of the Exhibition Association of Nova Scotia)	50	50
The Office of Health Promotion (in support of Sport Nova Scotia)	100	100
	$ 200	$ 200

These payments are special funds under the Provincial Finance Act established by the Minister of Finance under Section 14(1) of the Atlantic Lottery Regulations as made under the Gaming Control Act.

Bonus commissions of $3,000 (2003 - $5,000) were paid during the year to ten sporting and cultural organizations.

6. Interprovincial Lottery Corporation

The Interprovincial Lottery Corporation was incorporated on August 16, 1976 under the Canada Business Corporations Act. The Interprovincial Lottery Corporation owns and operates nation-wide lottery games (Lotto 6/49, Super 7, Special Event-Celebration). Nova Scotia holds one of ten shares of this Corporation, and appoints one of 21 directors to the Board of Directors of the Interprovincial Lottery Corporation.

7. Capital Assets

	Cost	Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
	(in thousands)			
Automotive	$ 1,160	$ 507	$ 653	$ 745
Computer equipment	4,354	2,220	2,134	2,601
Furniture and equipment	140	76	64	71
Computer Software	38	13	25	32
Retail equipment	780	217	563	217
Leaseholds	548	266	282	354
Halifax casino assets	91,952	20,392	71,560	77,083
Sydney casino assets	23,206	11,466	11,740	12,231
Casino furniture and equipment	7,389	4,094	3,295	2,435
On-line gaming terminals	10,736	6,654	4,082	6,428
Video lottery terminals	45,930	17,186	28,744	35,896
	$ 186,233	$ 63,091	$ 123,142	$ 138,093

In 2003-04, the Corporation acquired capital assets of $3.2 million (2003 - $26.8 million) financed through Atlantic Gaming Equipment Limited, $0.3 million (2003 - $0.4 million) financed by Metropolitan Entertainment Group, and $2.2 million (2003 - $1.6 million) financed by the Casino Capital Replacement Reserve.

8. Capital Obligation

The Corporation has an obligation under the Operating Contract to repay the operator of the casinos for the initial cost of the Halifax and Sydney casinos to the extent that there is adequate cash flow from the casinos to fund these obligations. The Corporation has the option to purchase these casinos. Future minimum obligations based on there being adequate cash flow are as follows:

	Halifax	Sydney (in thousands)	Total
2005	$ 39,038	$ 2,734	$ 41,772
2006	15,684	793	16,477
2007	14,109	---	14,109
2008	1,104	---	1,104
Net minimum obligation	69,935	3,527	73,462
Less: amount representing interest at 12%	(7,689)	(263)	(7,952)
Present value of minimum obligation	62,246	3,264	65,510
Less: amount due within one year	(34,904)	(2,490)	(37,394)
Balance of obligation	$ 27,342	$ 774	$ 28,116

9. Capital Replacement Reserve Liability

	Halifax	Sydney	Total 2004 (in thousands)	Total 2003
Cash balance, beginning of year	$ 4,386	$ 1,360	$ 5,746	$ 5,721
Funding	1,078	502	1,580	1,499
Interest	109	29	138	137
Capital Asset purchases	(1,458)	(719)	(2,177)	(1,611)
Cash balance, end of year	4,115	1,172	5,287	5,746
Add: cumulative capital asset purchases	4,520	2,869	7,389	5,211
Less: accumulated amortization	(2,438)	(1,656)	(4,094)	(2,776)
Balance, end of year	$ 6,197	$ 2,385	$ 8,582	$ 8,181

10. Related Party Transactions

The Province of Nova Scotia, Nova Scotia Harness Racing Incorporated, Atlantic Gaming Equipment Limited and Atlantic Lottery Corporation Inc. are related parties of the Corporation. Details of any transactions between these related parties are separately disclosed in the financial statements.

11. Harness Racing

The Corporation annually contributes to the Nova Scotia Harness Racing Fund amounts approved by the Minister of Finance. In March 2003, Government approved a contribution of $750,000 in 2003-04 to support the harness racing industry in Nova Scotia.

In May 2004, Government approved a $750,000 contribution in 2004-05 to support the harness racing industry in Nova Scotia.

12. Due to Operators

	2004	2003
	(in thousands)	
Due to Atlantic Lottery Corporation Inc.	$ 498	$ 5,724
Due from lottery operations	(4,474)	(8,259)
Due to lottery operations	7,417	5,460
Due to casino operations.	8,021	11,180
	$ 11,462	$ 14,105

13. Other Commitments

The Corporation is required to make annual lease payments of approximately $195,000 over the next three years.

The Corporation's share of the Atlantic Lottery Corporation Inc.'s minimum annual lease payments for the premises is approximately $1,818,000 over the next three years.

14. Pensions

All permanent employees of the Corporation are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Corporation's management expenses. The Corporation is not responsible for any unfunded liability with respect to the superannuation fund.

15. Supplemental Cash Flow Information

	2004	2003
	(in thousands)	
Net changes in working capital:		
Inventory	$ 436	$ (123)
Prepaids	(881)	(151)
Deferred charges	36	(516)
Accounts Payable	(775)	1,445
Deferred Lottery Revenue	(570)	183
Due to operators	(2,643)	5,135
Payable to Nova Scotia Gaming Foundation	11	(2)
Due to Province of Nova Scotia	4,923	4,617
	$ 537	$ 10,588

16. Comparative Figures

Some of the comparative figures have been reclassified to conform to the financial statement presentation adopted in this fiscal year.

17. Fair Value of Financial Assets and Financial Liabilities

The fair value of the Corporation's cash and short-term investments, accounts payable, deferred lottery revenue, liabilities for unclaimed prizes, due to operators, due to Atlantic Gaming Equipment Limited, due to the Nova Scotia Gaming Foundation and due to the Province of Nova Scotia approximates their carrying amounts.

It is not practicable to estimate the fair value for capiital obligation as repayment can only be made to the extent there is adequate cash flow from the casinos.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from financing instruments.

Schedule I

NOVA SCOTIA GAMING CORPORATION
Atlantic Lottery Corporation Inc.

Ticket Lottery and Video Lottery Operating Results
For the Year Ended March 31, 2004

	Ticket Lottery	Video Lottery	Total 2004	Total 2003
	(in thousands)			
Ticket lottery sales	$ 206,281	$ ---	$ 206,281	$ 212,259
Ticket lottery sales discounts	141	---	141	324
Prize expense	114,641	---	114,641	113,968
Net ticket lottery sales	91,499	---	91,499	97,967
Net video lottery sales	---	182,909	182,909	182,104
Total net sales	91,499	182,909	274,408	280,071
Retailer commissions	13,299	39,463	52,762	52,857
Ticket costs	5,871	386	6,257	6,645
	19,170	39,849	59,019	59,502
Gross profit	72,329	143,060	215,389	220,569
Operating expenses				
Advertising and promotion	3,158	---	3,158	3,811
Communication	188	148	336	206
Depreciation and amortization	527	129	656	901
Development and recruitment	238	163	401	691
Equipment and maintenance	882	698	1,580	1,667
General and professional services	630	243	873	947
Lease expense	4,040	10,636	14,676	11,082
Movement and storage	385	119	504	550
Occupancy cost	740	530	1,270	1,309
Other	129	50	179	299
Research and development	175	273	448	361
Retailer and player support	317	106	423	---
Salaries and benefits	7,506	4,590	12,096	11,389
Supplies	129	83	212	222
Telecommunication	2,373	248	2,621	2,627
Travel and vehicle expenses	622	366	988	1,502
Total operating expenses	22,039	18,382	40,421	37,564
Operating profit	50,290	124,678	174,968	183,005
Other income (expenses)	(249)	301	52	(460)
Profit Before Other Distributions	50,041	124,979	175,020	182,545
HST expense	5,556	6,361	11,917	12,812
Federal contribution	876	729	1,605	1,607
Charity non-profit	35	---	35	39
Retailer bonus	5,185	---	5,185	5,160
Net profit	$ 38,389	$ 117,889	$ 156,278	$ 162,927

Schedule II

NOVA SCOTIA GAMING CORPORATION

Halifax Casino Nova Scotia
Operating Results
For the Year Ended March 31, 2004

	2003	2003
	(in thousands)	
Revenue		
Casino revenue	$ 64,664	$ 64,129
Beverage, food and other revenue	7,222	7,504
	71,886	71,633
Expenses		
Amortization	5,838	5,825
Capital Replacement Reserve (Note 3)	1,078	1,075
General administration and marketing	9,468	9,366
Harmonized Sales Tax	4,557	5,191
Recovery of HST (Note 3)	---	(5,631)
Interest	6,664	8,176
Other expenses including cost of beverage and food	4,256	4,548
Premise expense	2,991	3,008
Salaries and benefits	20,519	20,575
Win Tax	12,933	12,826
	68,304	64,959
Net income	3,582	6,674
Win tax	12,933	12,826
Total payment to Province	$ 16,515	$ 19,500

NOVA SCOTIA GAMING CORPORATION

Sydney Casino Nova Scotia
Operating Results
For the Year Ended March 31, 2004

	2004	2003
	(in thousands)	
Revenue		
Casino revenue	$ 21,618	$ 26,255
Beverage, food and other revenue	1,873	1,998
	23,491	28,253
Expenses		
Amortization	490	658
Capital Replacement Reserve (Note 3)	502	424
General administration and marketing	2,512	2,405
Harmonized Sales Tax	1,286	1,794
Recovery of HST (Note 3)	---	(1,085)
Interest	523	801
Operator fee (Note 3)	1,334	1,621
Other expenses including cost of beverage and food	1,202	1,336
Premise expense	709	703
Salaries and benefits	6,810	6,716
Win tax	4,324	5,251
	19,692	20,624
Net income	3,799	7,629
Win tax	4,324	5,251
Total payment to Province	$ 8,123	$ 12,880

Schedule IV

NOVA SCOTIA GAMING CORPORATION

Other Revenues and Expenses
For the Year Ended March 31, 2004

	2004 (in thousands)	2003
Other Revenues		
Payment from New Brunswick	$ ---	$ 393
Interest income	264	260
Total Other Revenues	264	653
Other Expenses		
Special payments and bonus commissions (Note 5)	203	205
Nova Scotia Harness Racing Fund contribution (Note 11)	750	750
Management Expenses		
Advertising	5	3
Amortization	27	23
Directors fees	73	52
Harmonized Sales Tax	220	103
Membership dues	11	11
Occupancy taxes	6	5
Office and miscellaneous	71	35
Office equipment	47	14
Periodicals	13	15
Postage and freight	8	8
Printing and stationery	20	12
Professional and other fees	498	73
Rent	122	120
Salaries and benefits	1,039	1,129
Telecommunications	21	16
Training	32	38
Travel	61	41
	2,274	1,698
Total Other Expenses	3,227	2,653
	$ (2,963)	$ (2,000)

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of the Office of Health Promotion

I have audited the balance sheet of the Nova Scotia Gaming Foundation for the year ended March 31, 2004, and the statement of operations and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Gaming Foundation as at March 31, 2004, the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
June 10, 2004

NOVA SCOTIA GAMING FOUNDATION

Balance Sheet
as at March 31, 2004

	2004	2003
ASSETS		
Current Assets		
Cash	$ 4,602,654	$ 4,540,624
Accounts receivabe	1,866	---
Accrued interest	7,943	10,612
Deposits	17,776	---
Due from Nova Scotia Gaming Corporation	85,469	73,896
	$ 4,715,708	$ 4,625,132
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 51,757	$ 10,887
Grants Payable	423,083	730,021
	474,840	740,908
Fund Balance	4,240,868	3,884,224
	$ 4,715,708	$ 4,625,132

Statement of Operations,
for the year ended March 31, 2004

	2004	2003
Revenues		
Nova Scotia Gaming Corporation	$ 457,274	$ 455,259
VLT retailers	457,274	455,259
Interest	120,631	109,329
	1,035,179	1,019,847
Expenses		
Grants	457,297	776,967
Board meetings	23,753	14,619
Committee meetings	12,294	4,290
Administrative salaries and benefits	36,430	56,776
Travel	1,995	1,472
IT hardware and supplies	---	671
Professional fees	135,999	108,083
Office furnishings and rent	10,767	141
	678,535	963,019
Excess of revenues over expenses	356,644	56,828
Fund balance, beginning of year	3,884,224	3,827,396
Fund balance, end of year	$ 4,240,868	$ 3,884,224

NOVA SCOTIA GAMING FOUNDATION

Statement of Cash Flows
for the year ended March 31, 2004

	2004	2003
Cash Flows from Operating Activities	$ 356,644	$ 56,828
Add (deduct) changes in non-cash working capital		
Change in accounts receivable	(1,866)	---
Change in deposits	(17,776)	---
Change in accrued interest	2,669	(3,945)
Change in due from Nova Scotia Gaming Corporation	(11,573)	2,480
Change in accounts payable	40,870	(7,432)
Change in grants payable	(306,938)	47,882
	(294,614)	38,985
Increase in cash	62,030	95,813
Cash, beginning of year	4,540,624	4,444,811
Cash, end of year	$ 4,602,654	$ 4,540,624

NOVA SCOTIA GAMING FOUNDATION

Notes to Financial Statements
for the year Ended March 31, 2004

1. Description of the Foundation

On March 11, 1998, the Nova Scotia Gaming Foundation was established pursuant to the Gaming Control Act and the Provincial Finance Act. The purpose of the Foundation is to receive, maintain and disburse VLT Problem Gaming Fund monies in furtherance of the purposes set out in the Gaming Control Act, including research or education in respect of gambling, or treatment and remediation of the effects of gambling.

VLT retailers have agreed, under the terms of their retailer agreements, to contribute 1% of their VLT commission to the Foundation. The Nova Scotia Gaming Corporation has also agreed to contribute an amount equal to all contributions made by the VLT retailers.

2. Transfer of Responsibility

On December 1, 1999, Lieutenant Governor in Council amended the Nova Scotia Gaming Foundation Regulations by Order in Council 1999-592 replacing the Nova Scotia Gaming Corporation with the Minister of Health as the body responsible for the Foundation effective December 8, 1999. In December 2002, the Office of Health Promotion was created and responsibility for the Foundation was transferred from the Department of Health to this portfolio. The Foundation is managed by a Board of Directors.

3. Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

4. Administrative Services

Accounting services were provided by the Department of Health at no cost.

5. Comparative Figures

Certain of the comparative figures shown in these financial statements have been reclassified to conform to the current year's presentation.

AUDITORS' REPORT

To the Shareholder of the
Nova Scotia Government Fund Limited

We have audited the balance sheet of the Nova Scotia Government Fund Limited as at December 31, 2003 and the statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Chartered Accountants

April 9, 2004

NOVA SCOTIA GOVERNMENT FUND LIMITED

Balance Sheet
as at December 31, 2003

	2003	2002
ASSETS		
Cash and cash equivalents	$ 10,663,817	$ 10,997,229
Funds designated for investment (Note 3)	11,025,000	11,025,000
Interest receivable	160,633	99,841
Deferred financing costs	642,494	1,070,823
	$ 22,491,944	$ 23,192,893
LIABILITIES		
Accounts payable and accrued liabilities	$ 86,582	$ 254,420
Notes payable (Note 4)	21,500,000	21,500,000
	21,586,582	21,754,420
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	1	1
Retained earnings	905,361	1,438,472
	905,362	$ 1,438,473
	$ 22,491,944	$ 23,192,893

Contingency (Note 4)

Statement of Operations and Retained Earnings
Year Ended December 31, 2003

	2003	2002
Revenue		
Interest	$ 760,991	$ 838,883
Expenses		
Interest	749,822	331,013
Amortization	428,329	684,809
Administration fees	106,683	269,447
Professional fees	9,258	8,661
Bank charges	10	53
	1,294,102	1,293,983
Net loss	(533,111)	(455,100)
Retained earnings, beginning of year	1,438,472	1,893,572
Retained earnings, end of year	$ 905,361	$ 1,438,472

Statement of Cash Flows
Year Ended December 31, 2003

	2003	2002
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net loss	$ (533,111)	$ (455,100)
Amortization	428,329	684,809
Changes in non-cash operating items	(228,630)	287,122
	(333,412)	516,831
Financing		
Repayment of notes	---	(4,500,000)
Net cash outflow	(333,412)	(3,983,169)
Cash and cash equivalents, beginning of year	10,997,229	14,980,398
Cash and cash equivalents, end of year	$ 10,663,817	$ 10,997,229

	2003	2002
Cash and cash equivalents represented by:		
Cash in bank	$ 105,245	$ 250,542
Province of Nova Scotia promissory notes (unsecured)	10,558,572	10,746,687
	$ 10,663,817	$ 10,997,229
Supplementary cash flow information:		
Cash interest paid	$ 805,988	$ 225,129

NOVA SCOTIA GOVERNMENT FUND LIMITED

Notes to the Financial Statements
December 31, 2003

1. THE FUND

The Fund is an approved government administered venture capital fund pursuant to the Immigration Act of Canada and related regulations. The Fund was incorporated under the Nova Scotia Companies Act on December 31, 1994.

2. ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with a financial institution and Province of Nova Scotia promissory notes (unsecured).

b) Deferred Financing Costs

Financing costs are deferred and amortized on a straight-line basis over the term of the notes payable.

c) Use of Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires mangement to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. FUNDS DESIGNATED FOR INVESTMENT

In July 1999, the Fund agreed to lend the sum of $11,025,000 to Aldemey Landing Limited and Nova Learning Incorporated to fund construction projects. As at December 31, 2003, the balance was held by an escrow agent pending further eligible projects by the borrowers. Funds are currently invested with the Province of Nova Scotia.

4. NOTES PAYABLE

The notes payable are unsecured and bear interest at the rate of 1% annually. The notes were scheduled for repayment 5 years from the date the funds were invested in eligible investments.

The Immigration Act of Canada stipulates that the investor's funds are to be invested within nine months of receipt; however, the Fund has not met this requirement for the majority of the funds received. In addition, the Fund has only completed one investment to date rather than the minimum of two investments required. A second investment was authorized by the Fund in June 2000 in the amount of $7,175,000 to Education Services and Products (N.S.) Limited. The Fund is a minority shareholder in Education Services and Products (N.S.) Limited. Certain matters relating to the investment are expected to be concluded during 2004, but the proposed investment date relating to the required holding period is June 26, 2000, subject to Citizenship Immigration Canada (CIC) approval. The Fund has agreed to increase the interest rate on notes not paid 5 years and nine months after the date of issue (see below).

As indicated, the notes payable issued by the Fund were intended to be repaid 5 years from the investment date, which was expected to be no later than nine months following the date of the notes. On this basis, the notes of 18 investors were originally expected to be repaid not later than March 27, 2002. The Fund provided $250,000 to each holder of these 18 notes by cheques dated March 27, 2002. The CIC objected to further disbursements of this nature from the Fund until completion of the five-year investment requirement of CIC. No provision for financial ramifications related to these requirements, if any, are included in these financial statements.

In response to the CIC's objection, alternative options for repayment were explored and the Fund provided holders of the remaining notes two options for repayment, both of which have been approved by the CIC. The first option is that investors may leave their money in the Fund and be paid interest, at a rate equal to that of a Province of Nova Scotia bond, annually until the note is repaid. The second option involves a Royal Bank of Canada facility established by an agent for the investors and guaranteed by the Province of Nova Scotia. Investors may take out a loan of $240,000 under this facility and all costs of arranging the bank loan as well as interest costs on the loan are paid by increasing the interest payable by the Fund under the notes from 1% to the total of these costs. When a note issued by the Fund in favour of an investor who borrowed from the Royal Bank of Canada is repaid, $240,000 of the amount is to be paid to the bank pursuant to the investor's assignment of the note. Investors will then receive the $10,000 balance from the note payable, together with accrued interest based on the rate applicable to option one. By December 31, 2003, a total of $15,300,000 had been borrowed by the agent for the investors to advance to the investors under option two.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the balance sheet of the Nova Scotia Harness Racing Incorporated as at March 31, 2004 and the statement of income for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 26, 2004

NOVA SCOTIA HARNESS RACING INCORPORATED

Balance Sheet
as at March 31, 2004

ASSETS

	2004	2003
	(in thousands)	
Current		
Bank	$ ---	$ ---
	---	---

LIABILITIES

	2004	2003
Current		
Accounts payable	$ ---	$ ---
	$ ---	$ ---

Income Statement
for the year ended March 31, 2004

	2004	2003
	(in thousands)	
Revenue		
Contribution to the Nova Scotia Harness Racing Fund from Nova Scotia Gaming Corporation	$ 750	$ 750
Expenses		
Contribution to NS Department of Agriculture & Fisheries	750	750
	750	750
Excess of revenue over expenses	$ ---	$ ---

See accompanying notes to the financial statements.

NOVA SCOTIA HARNESS RACING INCORPORATED

Notes to the Financial Statement
for the year ended March 31, 2004

1. Description of the Business

Nova Scotia Harness Racing Incorporated was incorporated under the Companies Act on March 1, 1999 and designated as a crown corporation on April 7, 1999, to manage and administer the Nova Scotia Harness Racing Fund, a special fund created by the Nova Scotia Harness Racing Incorporated Regulations.

In March 2003, the Government decided to provide $750,000 in 2003-04 (2002-03 - $750,000) to support the harness racing industry in Nova Scotia. $750,000 was provided by the Nova Scotia Gaming Corporation to the Nova Scotia Harness Racing Fund and paid by Nova Scotia Harness Racing Incorporated to the Department of Agriculture and Fisheries. The Department of Agriculture and Fisheries managed the monies received from the Fund and determined how they would be distributed to the industry.

2. Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles in Canada A statement of cash flow is not provided as disclosure in the balance sheet and the income statement is considered adequate.

3. Share Capital

The authorized capital of Nova Scotia Harness Racing Incorporated is one common share without nominal or par value, which has been issued to Her Majesty the Queen in Right of the Province of Nova Scotia.

AUDITOR'S REPORT

To the Directors of Nova Scotia Health Research Foundation

We have audited the statement of financial position of the Nova Scotia Health Research Foundation as at March 31, 2004 and the statements of operating support and expenditures and changes in net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects the financial position of the Foundation as at March 31, 2004 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

HUNTER BELGRAVE ADAMSON
Chartered Accountants

Dartmouth, Nova Scotia
July 22, 2004

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Statement of Operating Support and Expenditures
Year Ended March 31, 2004

	2004	2003
OPERATING SUPPORT		
Grant revenue	$ 675,000	$ 375,000
Program sponsorships	23,428	30,000
Interest income	100,314	306,474
	798,742	711,474
OPERATING EXPENSES		
Capacity building program	290,384	277,521
Salaries and benefits	225,825	185,127
Communications, public awareness and research findings	143,474	99,576
Consultants	90,943	85,391
Workshops	70,060	71,239
Peer review of grant applications	67,296	48,390
Office supplies	21,171	24,244
Travel and meetings	20,090	17,249
Knowledge translation	14,326	---
Rent	9,383	---
Depreciation	8,767	6,675
Networking and promotion	8,592	6,833
Telephone, fax and website maintenance	8,512	14,644
Moving expenses	7,928	---
Contribution to CRTN	5,000	---
Regional partnership program	1,093	91
Professional development	975	3,731
Insurance	566	---
	994,385	840,711
EXCESS OF EXPENDITURES OVER SUPPORT	$ (195,643)	$ (129,237)

Nova Scotia Health Research Foundation

Statement of Changes in Net Assets
Year Ended March 31, 2004

	Invested in property, plant and equipment	Research Awards	Administration and programs	2004 Total	2003 Total
Balance, beginning of year . . . . . $	28,176 $	612,477 $	272,397 $	913,050 $	3,242,663
Excess of expenditures over support	---	---	(195,643)	(195,643)	(129,237)
Support for grants	---	3,825,000	---	3,825,000	2,125,000
Issuance of grants	---	(4,019,481)	---	(4,019,481)	(4,325,376)
Net change in investment in property, plant and equipment					
depreciation	(8,767)	---	8,767	---	---
acquistion of property, plant and equipment.	27,875	---	(27,875)	---	---
Balance, end of year . . . . $	47,284 $	417,996 $	57,646 $	522,926 $	913,050

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Statement of Financial Position
as at March 31, 2004

ASSETS

	dminstration and programs	Research Awards	2004 Total	2003 Total
Current assets				
Cash	$ 58,132	$ 218,432	$ 276,564	$ 303,982
Accounts receivable	33,635	---	33,635	246,743
Investments (note 4)	---	4,337,116	4,337,116	3,837,341
	91,767	4,555,548	4,647,315	4,388,066
PROPERTY, PLANT AND EQUIPMENT (note 5)	47,283	---	47,283	28,176
	$ 139,050	$ 4,555,548	$ 4,694,598	$ 4,416,242

LIABILITIES

	dminstration and programs	Research Awards	2004 Total	2003 Total
Current Liabilities				
Accounts payable and accrued liabilities	$ 34,121	$ ---	$ 34,121	$ 13,449
Grants payable - current portion	---	3,248,072	3,248,072	2,698,421
	34,121	3,248,072	3,282,193	2,711,870
GRANTS PAYABLE	---	889,480	889,480	791,322
	34,121	4,137,552	4,171,673	3,503,192

NET ASSETS

	dminstration and programs	Research Awards	2004 Total	2003 Total
Net assets invested in property, plant and equipment	47,283	---	47,283	28,176
Net assets restricted (note 6)	---	417,996	417,996	612,477
Net assets unrestricted	57,646	---	57,646	272,397
	104,929	417,996	522,925	913,050
	$ 139,050	$ 4,555,548	$ 4,694,598	$ 4,416,242

1. DESCRIPTION OF ENTITY

The Nova Scotia Health Research Foundation, a not-for-profit organization established by the Health Research Foundation Act of the Province of Nova Scotia (Bill No. 22), was given Royal Assent on December 3, 1998 and became effective on January 1, 2000. As stated in the Act, the objects of the Foundation are to assist, collaborate with and fund individuals and organizations conducting health research in the Province including the fields of health policy, health promotion and health care and without limiting the generality of the foregoing, assist health-services research, health-outcome research, health public policy research and medical research.

The accompanying financial statements include only the assets and operations of the Foundation.

2. SUMMARY OF SIGNIFACANT ACCOUNTING POLICIES

The Financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

Fund Accounting

The Foundation follows the restricted fund method of accounting for contributions.

The Administration & Programs Fund is used to account for the primary operations of the Foundation, including costs related to administration, operations, programs and promotion of the public awareness of the Foundation. Government grants and other income recorded directly by this fund include only those available for unrestricted operating purposes.

The Research Awards Fund is used to account for funds received that are designated for the issuance of research grants including grants for medical, health-outcome, health-services, and public policy research. At the time the research grants are approved, the grant amounts payable are recorded as a reduction of the fund equity.

Revenue Recognition

Contributions are recognized as revenue of the fund to which they relate in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income earned on all investments is allocated to the Administration and Programs fund.

Financial Instruments

The Foundation's financial instruments consist of cash, accounts receivable, investments and and accounts payable. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments.
The fair market value of these financial instruments approximate their carrying values unless otherwise noted.

Investments

Investments are valued at the lower of average cost and quoted market value if there is a permanent decline in value.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Foundation's management to make use of estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, and are amortized using the declining balance method at the annual rate of 30% for computer equipment and 20% for furniture and fixtures. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal. Leasehold improvements are amortized by the straight-line method over ten years with a full year of amortization recorded in the year of acquisition.

3. DISTRIBUTION OF FUNDING

The annual grant made to the Foundation, which is provided from funds appropriated by the Nova Scotia legislature, shall be distributed in accordance with the objects of the Foundations as follows:

(a) 40% shall be spent on medical research
(b) 15% shall be spent on health-outcome research
(c) 15% shall be spent on health-services research
(d) 15% shall be spent on health public-policy research
(e) a maximum of 15% may be spent on the administration of the Foundation and 5% of the total amount spent on administration shall be spent on increasing the public knowledge and awareness of the Foundation.

If less than the total money allocated is spent in any of the categories, the remaining portion shall be reallocated to one of the remaining categories in a manner determined by the Board.

4. INVESTMENTS

At year end the investments consisted of:

5.737 (2003 - 105,368.329) units of Investors Canadian High Yield Money Market Fund with an average cost of $10.00 (2003 - $10.00) per unit. Cost - $57.37 (2003 - $1,053,683); market value - $57.37 (2003 - $1,053,683).

Nil (2003 - 557,346.449) units of Investors Government Bond Fund with an average cost $nil (2003 - $4.99) per unit. Cost - $nil (2003 - $2,781,159); market value - $nil (2003 - $2,764,996).

Investors Compound GICs (2003 - nil) with a current book value, including accrued interest, of $4,337,116, maturing on Oct 31, 2004 with a maturity value of $4,375,229 (2003 - $nil) and bearing interest at 1.5%.

5. PROPERTY, PLANT AND EQUIPMENT

	2004			2003
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Computer equipment. . . . . $	21,064 $	9,488 $	11,576 $	5,491
Furniture and fixtures.	32,227	13,194	19,033	13,891
Leasehold improvements	20,969	4,295	16,674	8,794
$	74,260 $	26,977 $	47,283 $	28,176

6. INCOME TAX STATUS

According to Bill 22, which was given Royal Assent effective January 1, 2000, the Foundation and its property are exempt from taxation imposed by or under the authority of an enactment of the Province of Nova Scotia. The Foundation is a registered charitable organization under the Income Tax Act and is therefore exempt from income taxes.

7. STATEMENT OF CASH FLOW

A statement of cash flow was not prepared, as it would not provide any additional meaningful information to the users of these financial statements.

8. ECONOMIC DEPENDANCE

The Province of Nova Scotia provides the Foundation with funding necessary to provide grant support. The Foundation's ability to issue research grants is currently dependant on receiving adequate funding from the Province of Nova Scotia.

AUDITORS' REPORT

To the Members of the Legislative Assembly; and
To the Minister of Community Services

I have audited the consolidated balance sheet of the Nova Scotia Housing Development Corporation as at March 31, 2004, and the consolidated statements of revenues and expenses for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Nova Scotia Housing Development Corporation has entered into agreements with the Canadian Mortgage and Housing Corporation for the establishment and implementation of the Affordable Housing and Housing Renovation Programs. Canadian generally accepted accounting principles require that the results of all activities of the Housing Development Corporation during the year be included in its financial statements. Revenues and expenses related to these agreements have not been recorded in these financial statements but are included in the revenues and expenses of the Department of Community Services, Province of Nova Scotia. If these program revenues and expenses had been included expenses would have increased by $10,175,665 and recoveries would have increased by $10,175,665.

In my opinion, except for management's decision not to include the revenue and expenses of the Affordable Housing and Housing Renovation Programs as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Housing Development Corporation as at March 31, 2004 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
June 23, 2004

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Consolidated Balance Sheet
as at March 31, 2004

	2004	2003
ASSETS		
Current assets		
Cash, accounts receivable and accrued interest	$ 7,706,528	$ 9,489,748
Current portion of mortgages receivable (Note 7)	2,853,180	2,871,084
	10,559,708	12,360,832
Mortgages receivable (Note 7)	44,321,653	36,307,775
Investment in land and social housing (Note 8)	375,200,959	379,598,521
Deferred development costs (Note 16)	—	5,795,746
Fund for future social housing expenditures (Note 4)	16,499,773	31,882,286
	$ 446,582,093	$ 465,945,160
LIABILITIES		
Current liabilities		
Payables and accruals	$ 11,509,776	$ 10,108,090
Current portion of long-term debt (Note 9)	11,822,892	10,849,425
Deferred federal contributions (Note 4)	16,499,773	31,882,286
	39,832,441	52,839,801
Long-term debt (Note 9)	320,993,963	318,949,953
Reserve for mortgage guarantees, indemnified loans and interest fluctuations (Note 10)	13,205,793	13,523,874
Partner's equity and minority interest (Note 12)	4,219,932	5,499,027
Housing Development Corporation Fund (Note 6)	68,329,964	75,132,505
	$ 446,582,093	$ 465,945,160

Commitments and Contingencies (Note 10)

The accompanying notes are an integral part of these statements.

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Consolidated Statement of Revenues and Expenses for the Year Ended March 31, 2004

	2004	2003
Revenues		
Rental revenue	$ 49,437,688	$ 48,624,312
Interest revenue	2,359,512	2,212,751
Land sales	729,527	3,984,096
Recoveries from Canada Mortgage and Housing Corporation (Notes 2 and 4)	72,213,205	43,890,833
Recoveries from provincial government departments and municipalities (Note 5)	11,295,754	25,969,377
	136,035,686	124,681,369
Expenses		
Administration fee	2,423,081	2,605,637
Amortization of investment in social housing	10,022,570	9,564,032
Cost of land sales	1,705,428	2,517,169
Operating costs, Housing Authorities (Note 13)	68,817,542	59,136,190
Interest on long-term debt	28,948,798	29,407,072
Transfer to Housing Services	24,690,287	19,695,964
Increase (decrease) in provision for doubtful accounts	(572,020)	1,755,305
	136,035,686	124,681,369
Excess of revenues over expenses	$ —	$ —

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements
March 31, 2004

1. Status of the Corporation

The Nova Scotia Housing Development Corporation is a crown corporation established by the Nova Scotia Housing Development Corporation Act.

Basis of Consolidation

The consolidated financial statements include the accounts of the Nova Scotia Housing Development Corporation and the seven Housing Authorities which are controlled by the Corporation including all program recoveries and expenses administered under the Social Housing Agreement.

Transactions and account balances between the Corporation and the Housing Authorities have been eliminated in these consolidated financial statements.

2. Significant Accounting Policies

The policies used in preparing the Corporation's consolidated financial statements are in accordance with accounting principles generally accepted in Canada.

Mortgages Receivable

Mortgages receivable are carried net of provisions for concessionary assistance and doubtful recoveries as described in Note 7 to the financial statements.

A provision for doubtful recoveries is established to the extent that anticipated losses on bad debts exceed reserves. The Housing Development Corporation charges mortgage insurance fees to borrowers to offset the cost of bad debt write offs from the mortgages receivable portfolio. These insurance fees are retained as reserves and are charged with the losses on bad debts when realized.

The provision for concessionary assistance represents the present value of estimated future subsidies provided by the Housing Services Division of the Department of Community Services to low income borrowers to assist them in meeting their monthly mortgage payments to the Corporation.

Investment in Land and Social Housing

Investments in Social Housing represent housing properties which are carried at cost including the cost of site investigation, land, construction, administration, and interest during construction less accumulated amortization.

The capital cost of social housing properties is amortized, using the sinking fund method, by the amount equal to the principal repaid on the related long-term debt financing the project.

Investments in land represent properties developed for resale. Land projects are carried at the lower of cost or estimated net realizable value. Land costs include acquisition and servicing costs, capitalized interest charges and administrative costs where applicable.

The Corporation has established reserves for risks associated with reduction in the value of land developments.

Recoveries From CMHC - Social Housing

Pursuant to the Social Housing Agreement executed by the Corporation and Canada Mortgage and Housing Corporation (CMHC) which took effect October 1, 1997, CMHC is required to pay fixed annual contributions to the Corporation over the remainder of the CMHC commitment period ending June 30, 2034. Contributions from CMHC are used by both the Corporation and the Housing Services Division of the Department of Community Services to meet the interest, amortization, subsidy and administration expenses of programs under the Agreement.

3. Administration Fee

The administration of the Nova Scotia Housing Development Corporation is carried out by the staff of the Department of Community Services. The Corporation reimburses the Housing Services Division of the Department to the extent that revenues earned by the Corporation would otherwise exceed expenditures.

4. Fund for Future Social Housing Expenditures

CMHC funding not used during the current fiscal year by the Corporation or the Housing Services Division is eligible for carry forward to future years. Unused CMHC funding is recorded separately in two interest bearing accounts entitled Fund for Future Social Housing Expenditures (FFSHE) and Deferred Federal Contributions (DFC).

	2004	2003
Opening Balance, April 1	$ 31,882,286	$ 18,740,874
Gross public housing and other eligible expenditures per Department of Community Services	(80,113,511)	(68,695,886)
Less: Provincial Contribution	1,330,000	18,949,263
Less: Municipal Contribution	6,570,306	5,855,790
Expenses withdrawn from FFSHE	(72,213,205)	(43,890,833)
CMHC social housing transfer per agreement	56,169,157	56,326,764
	(16,044,048)	12,435,931
Interest earned by the fund	661,535	705,481
Net increase (decrease) in the fund	(15,382,513)	13,141,412
Closing Balance, March 31	$ 16,499,773	$ 31,882,286

Recoveries from CMHC are subject to an independent audit. Adjustments to recoveries, accounts receivable, deferred federal contributions and the Fund for Future Social Housing Expenditures, arising from the audit process, are recorded in the year the audit is finalized.

5. Recoveries from Provincial Government Departments and Municipalities

Costs incurred by the Corporation for the amortization of provincial social housing assets and the interest costs associated with the debt financing of these assets are recovered from the applicable provincial government department or municipality:

	2004	2003
Department of Community Services, public housing and recoveries for land losses and bad debts	$ 3,561,124	$ 18,949,263
Department of Justice	1,164,324	1,164,324
Municipal share of public housing costs	6,570,306	5,855,790
	$ 11,295,754	$ 25,969,377

6. Housing Development Corporation Fund

To provide working capital for the Nova Scotia Housing Development Corporation, the Housing Development Corporation Fund was established by Order-In-Council. The Fund is set up as a revolving account which records all receipts and expenditures, and allows the Corporation to borrow up to $175 million.

7. Mortgages Receivable

Mortgages receivable have an amortization period of 25 years and five or ten-year renewal terms. Aggregate monthly payments are approximately $223,368 including interest. Interest rates vary from 6.5% to 13.05%, with renewal dates ranging from April 1, 2004 to October 1, 2012. The mortgages are secured by registered first mortgages on the related properties.

	2004	2003
Mortgages receivable	$ 49,773,777	$ 41,814,118
Less: Current portion due within one year	2,853,180	2,871,084
Provision for concessionary assistance and doubtful recoveries	2,598,944	2,635,259
	5,452,124	5,506,343
	$ 44,321,653	$ 36,307,775

Estimated principal repayments for the next four years are as follows:

2005-2006	$ 2,685,159
2006-2007	$ 2,740,279
2007-2008	$ 2,820,958
2008-2009	$ 2,922,830

8. Investment in Land and Social Housing

	2004	2003
Investment in land	$ 6,725,450	$ 5,488,514
Investment in social housing	373,937,571	380,698,392
	380,663,021	386,186,906
Less: Provision for doubtful land recoveries	1,887,758	2,488,385
Provision for fire and liability losses	3,574,304	4,100,000
	5,462,062	6,588,385
	$ 375,200,959	$ 379,598,521

9. Long -Term Debt

	2004	2003
Notes payable	$ 260,022,577	$ 254,556,346
Mortgages payable	72,794,278	75,243,032
	332,816,855	329,799,378
Less: Current portion due within one year	11,822,892	10,849,425
	$ 320,993,963	$ 318,949,953

Long term debt is comprised of mortgages and notes payable from various lenders. The amortization of the notes payable ranges from 5 to 36 years. The mortgages payable amortization periods range from 20 to 35 years with either five or ten year renewal terms. Notes payable are secured by investments in social housing. Mortgages and notes payable are repayable in monthly or quarterly instalments of interest and principal. Interest rates vary from 4.00% to 21.50% with renewal dates ranging from April 1, 2004 to January 1, 2034.

Estimated principal repayments for the next four years are as follows:

2005-2006	$ 12,538,432
2006-2007	$ 12,690,211
2007-2008	$ 12,809,174
2008-2009	$ 13,015,343

10. Commitments and Contingencies

Pursuant to the October 1, 1997 Social Housing Agreement, CMHC requires the Corporation to indemnify CMHC against future losses related to their insured loan portfolio for Nova Scotia. As at March 31, 2004 there were 509 loans with an approximate outstanding balance of $162,035,973 (2003 - $171,740,510). In the event of default the Corporation would gain title to the assets and act toward mitigation of any loss. The Corporation has reserved for any possible losses as noted.

The Corporation provides mortgage guarantees of interest and principal to lenders financing certain housing projects. As at March 31, 2004 a total of 24 (2003 - 28) mortgage guarantees were in effect, and the outstanding balance of mortgages guaranteed was $14,837,694 (2003 - $26,506,620).

The Corporation has established reserves for possible losses on mortgage guarantees and indemnified loans in the amount of $13,205,793 (2003 - $13,523,874) which includes a reserve for risks associated with interest fluctuation of $3,200,000 (2003 - $3,200,000). In addition, the Corporation has a provision of $3,100,000 (2003 - $3,100,000) self insurance included in the provision for fire and other social housing losses as disclosed in Note 8.

11. Related Party Transactions

Included in Note 5 of these consolidated financial statements are transactions with various Nova Scotia government departments related to the Corporation by virtue of common control.

12. Partners' Equity (Deficiency) and Minority Interest

The Housing Authorities operate under partnership agreements among the Nova Scotia Department of Community Services - Housing Services, Municipal governments and each Housing Authority. Under the terms of these agreements, the Housing Authorities, as trustees, have lease title to certain rental housing properties for the control, operations, management and administration of various projects.

	2004	2003
Department of Community Services		
Opening balance, April 1	$ 11,681,059	$ 7,373,425
Advances and amortization	54,564,386	51,820,707
Payment of deficits by municipalities	(6,309,530)	(6,615,249)
Deferred assistance	---	(644,887)
Excess of revenue over expenses	(49,203,076)	(40,252,937)
Closing balance, March 31	10,732,839	11,681,059
Various Municipalities' and Towns' Minority Interest		
Opening Balance, April 1	(6,182,032)	(6,430,822)
Payments of deficits by municipalities	6,309,530	6,615,249
Excess of revenue over expenses	(6,640,405)	(6,366,459)
Closing balance, March 31	(6,512,907)	(6,182,032)
Partners' Equity	$ 4,219,932	$ 5,499,027

13. Operating (Housing Authorities and Rural and Native)

	2004	2003
Administration	$ 13,366,520	$ 11,668,588
Maintenance	16,561,092	14,165,625
Management fee	288,582	413,904
Modernization and improvements	7,644,941	3,990,983
Municipal taxes	7,739,986	7,666,453
Other operating	9,094,512	7,210,194
Utilities	14,121,909	14,020,443
	$ 68,817,542	$ 59,136,190

14. Future Employee Benefits

During the year, the Corporation recorded an estimated liability for Public Service awards of $1,060,968 accruing to employees in the Regional Housing Authorities at retirement. An actuarial valuation of the service award liability has not been performed. The change in accounting policy was not applied retroactively.

The Housing Authorities each have defined contribution pension plans available to eligible employees. As a consequence there is no actuarial liability. The benefit is expensed by the employer in the year contributions are paid.

15. Tangible Capital Assets

The investment in social housing disclosed in Note 8 of $373,937,571 (2003 - $380,698,392) includes social housing properties acquired through the Social Housing Agreement from the Housing Development Fund and from acquisitions dating back several decades to predecessor housing organizations within government.

These properties were originally recorded at net book value which included cost of land and buildings. Net book value was amortized over the years. Amortization includes amounts related to land which is not in accordance with generally accepted accounting principles. Historical information related to the original cost of land versus buildings is not available.

On a carry forward basis, future construction and or acquisitions will be separated as to land and building in accordance with generally accepted accounting principles.

The tangible capital assets consolidated from the Housing Authorities' financial statements are included in the net book value above. The rates and method of depreciation used to amortize these assets over their estimated useful lives are as follows:

Buidings	5% declining balance
Equipment	20% declining balance
Computer equipment	30% declining balance
Vehicles	30% declining balance
Computer software	25% declining balance

The following information on cost, accumulated amortization and net book value is available for those assets:

	Cost	Accumulated Amortization	Net Book Value 2004	Net Book Value 2003
Buidings	$ 7,021,444	$ 1,947,423	$ 5,074,021	$ 5,341,074
Equipment	56,376	35,594	20,782	25,978
Computer	73,772	71,324	2,448	16,766
Vehicles.	1,718,989	1,281,347	437,642	463,537
Computer Software	6,151,511	1,537,857	4,613,654	---
Total	$ 15,022,092	$ 4,873,545	$ 10,148,547	$ 5,847,355

16. Deferred Development Costs

During 2001-02 the Housing Authorities began work on inplementation of the Information Technology Review Program. The Program was completed in March 2003. Deferred development costs of $6,151,511 were incurred and include consulting fees, training and certain overhead costs associated with the Program. These are now included in Investment in Land and Social Housing (note 15) and being amortized.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of the Office of Economic Development

I have audited the consolidated balance sheet of the Nova Scotia Innovation Corporation as at March 31, 2004 and the consolidated statements of loss, deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 21, 2004

NOVA SCOTIA INNOVATION CORPORATION

Consolidated Balance Sheet
March 31, 2004

ASSETS

	2004	Restated (Note 17) 2003
Current		
Cash and cash equivalents	$ 1,361,308	$ 1,434,172
Receivables	1,673,995	1,433,736
Inventories	86,526	99,592
	3,121,829	2,967,500
Assets held for resale (Note 3)	170,776	—
Investments and funds		
Nova Scotia First Fund (Note 4)	16,355,361	8,376,874
Research Endowment Fund (Note 5)	661,182	661,182
Other investments (Note 6)	502,754	502,752
Receivables (Note 7)	24,492	309,660
Capital assets (Note 8)	5,091,945	5,296,599
Intangible assets (Note 9)	2	9,335
Deferred lease improvements (Note 10)	502,467	109,659
	23,138,203	15,266,061
	$ 26,430,808	$ 18,233,561

LIABILITIES

	2004	2003
Current		
Payables and accruals	$ 638,857	$ 701,356
Payable to Province of Nova Scotia	3,967,458	2,940,535
Deferred revenue	202,560	72,233
Current portion of long term debt	34,627	31,468
	4,843,502	3,745,592
Employee future benefits (Note 11)	554,805	423,947
Long term debt (Note 12)	8,019,537	132,371
Deferred revenue	—	15,519
Deferred government contributions (Note 13)	427,142	378,454
	13,844,986	4,695,883

EQUITY

	2004	2003
Capital stock and contributed surplus (Note 14)	19,110,755	19,110,755
Deficit	(6,524,933)	(5,573,077)
	12,585,822	13,537,678
	$ 26,430,808	$ 18,233,561

Commitments (Notes 4 and 20)
Contingency (Note 4)

See accompanying notes to the consolidated financial statements.

NOVA SCOTIA INNOVATION CORPORATION

Consolidated Statements of Loss and Deficit
Year Ended March 31, 2004

	2004	Restated (Note 17) 2003
Revenues and contributions		
Government contributions (Note 13)	$ 2,485,396	$ 2,207,171
Mentoring	270,115	909,569
Incubation	592,966	603,800
Investment	57,844	5,774
Technical services	225,111	159,355
	3,631,432	3,885,669
Expenses		
Mentoring	1,617,876	1,889,722
Incubation	978,928	979,892
Investment	314,530	248,538
Technical services	190,512	152,467
Corporate services	1,423,393	1,432,385
	4,525,239	4,703,004
Operating loss	(893,807)	(817,335)
Depreciation	(290,752)	(317,964)
Investment loss		
Nova Scotia First Fund	(21,513)	(1,016,241)
Other	(23,043)	(257,816)
Non-controlling interest in subsidiary's net loss (Note 15)	---	132,512
	(335,308)	(1,459,509)
Loss before unusual item and discontinued operations	(1,229,115)	(2,276,844)
Unusual item (Note 15)	288,545	(455,911)
Loss before discontinued operations	(940,570)	(2,732,755)
Discontinued operations (Note 16)	(11,286)	15,258
Net loss	$ (951,856)	$ (2,717,497)
Deficit, beginning of year - as originally stated	$ (5,573,077)	$ (2,737,025)
Prior period restatement (Note 17)	---	(118,555)
Net loss	(951,856)	(2,717,497)
Deficit, end of year	$ (6,524,933)	$ (5,573,077)

See accompanying notes to the consolidated financial statements.

NOVA SCOTIA INNOVATION CORPORATION

Consolidated Statement of Cash Flows
Year Ended March 31, 2004

	2004	Restated (Note 17) 2003
Increase (decrease) in cash and cash equivalents		
Operating		
Net loss	$ (951,856)	$ (2,717,497)
Depreciation	290,752	317,964
Deferred government assistance recognized	(85,214)	(100,577)
Nova Scotia First Fund loss	21,513	1,016,241
Non-controlling interest in subsidiary's net loss	---	(132,512)
Unusual item (Note 15)	---	455,911
Loss on disposal of capital assets	---	10,564
Writedown of other investments	232,452	205,838
	(492,353)	(944,068)
Change in non-cash operating working capital (Note 18)	676,788	130,910
	184,435	(813,158)
Investing		
Proceeds from NSFF portfolio investments - net	999,567	649,250
Acquisitions of NSFF investments - net	(999,567)	(649,250)
Additions to NSFF portfolio	(8,000,000)	---
Reduction of interest in The Decision Point (Note 18)	100,708	---
Long term receivable payments received	52,716	183,897
Capital and intangible asset purchases	(83,768)	(97,295)
Assets held for resale	(170,776)	---
Increase in lease improvements, net	(392,808)	(65,389)
	(8,493,928)	21,213
Financing		
Long term debt repayments	(26,690)	(29,819)
Deferred government assistance additions	133,902	88,306
Decrease in equipment lease obligation	(1,441)	---
Increase in employee future benefits	130,858	37,412
Loan from Province of Nova Scotia	8,000,000	---
	8,236,629	95,899
Decrease in cash and cash equivalents	(72,864)	(696,046)
Cash and cash equivalents,		
Beginning of year	1,434,172	2,130,218
End of year	$ 1,361,308	$ 1,434,172

See accompanying notes to the consolidated financial statements

1. Authority

The Nova Scotia Innovation Corporation (InNOVAcorp) was established on February 6, 1995 by the Innovation Corporation Act and is wholly owned by the Province of Nova Scotia. Its purpose is to build relationships that enable technology-based Nova Scotia firms to compete successfully for business anywhere in the world. InNOVAcorp is exempt from income tax under section 149 of the Income Tax Act.

2. Summary of significant accounting policies

InNOVAcorp's financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which include the following:

a. Principles of consolidation

The consolidated financial statements include the accounts of InNOVAcorp and its wholly owned subsidiary, 1402998 Nova Scotia Limited (formerly Nova Magnetics Limited).

The 2003 comparative figures also include the accounts of 3839966 Canada Limited (operating as The Decision Point), an 86% owned subsidiary at that time. On March 31, 2004, The Decision Point purchased and cancelled 1,198,080 of its shares reducing InNOVAcorp's ownership percentage to 30.30%. As of March 31, 2004, the investment in The Decision Point is accounted for by the equity method. The consolidated income statement includes 100% of the revenue and expenses of The Decision Point for the period April 1, 2003 to March 30, 2004, adjusted for intercompany transactions.

b. Use of estimates

In preparing InNOVAcorp's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

c. Revenue recognition

Mentoring revenue includes consulting services provided, as well as on-line mentoring provided through The Decision Point. Mentoring revenue is recorded as the services are provided.

Incubation revenue is recorded as earned and includes monthly rent and recoveries from tenants for utilities, photocopies, and other administrative services.

Investment revenue includes interest on cash balances, short term investments and bonds receivable, including imputed interest on zero coupon bonds and residuals, dividends and capital gains and losses. Interest income is accrued daily, dividend income is recorded on the ex-dividend date, and capital gains and losses are recognized on the date of sale.

Technical services includes engineering services and products provided to third parties by InNOVAcorp staff and products manufactured for resale. Engineering services revenue is recorded as the related services are perfomed. Work in process is recorded monthly based on percentage complete. Product sales are recorded on the earlier of the date of shipment to the customer or the transfer of title to the customer.

d. **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks and temporary money market instruments at cost plus accrued interest with original maturities of three months or less.

e. **Inventory**

Inventory is valued at the lower of cost or net realizable value.

f. **Long term investments**

Venture capital investments made through the Nova Scotia First Fund are carried at cost. InNOVAcorp does not have a controlling interest over the investee companies, except in the case of Mailworkz in which it does not intend to maintain this control position over the long term. Accordingly, the investment in this investee company is carried at its cost of $530,000 and the accounts are not consolidated.

Investments are written down to recognize the loss where management has determined a decline in value that is considered to be other than temporary. Fixed income investments of the Nova Scotia First Fund with terms to maturity greater than ninety days are recorded at cost plus accrued interest.

During 2005, it is anticipated that the Nova Scotia First Fund venture capital investments will be transferred to 3087532 Nova Scoita Limited, a new wholly owned subsidiary which qualifies as an investment company. For fiscal 2005, it is anticipated that these investments will be reported on a fair market value basis, including those that meet the definition of subsidiary and those over which the company exercises significant influence.

g. **Capital assets**

The cost of capital assets is being depreciated over their estimated lives at the following rates:

Buildings	4%	declining balance
Machinery and equipment	20%	declining balance
Computer equipment	30%	declining balance
Furniture and fixtures	20%	declining balance
Site improvements	8%	declining balance
Management Information Systems	10%	straight line
Leased equipment	25%	straight line

h. **Donated assets**

The donation of assets to InNOVAcorp is considered a capital contribution. These assets are recorded at their fair market value with an offsetting increase to a contributed capital account identifying the source of the donation. These assets are depreciated over their estimated economic life as described in Note 2(g) above. There were no assets donated in either 2003 or 2004..

i. **Government contributions**

Government contributions used for the acquisition of property, capital assets are deferred and recognized as income on the same basis as the related assets are depreciated. Contributions related to other expenditures are recognized as income in the year the related expenditures are incurred.

j. Translation of foreign currencies

Current assets, current liabilities, long term monetary assets and liabilities are translated at the year end rate of exchange. Revenue and expenses are translated at the rates prevailing when the transaction occurred. Translation gains and losses are included in earnings except for unrealized gains and losses arising from translation of long term monetary assets and liabilities, which are deferred and amortized over the remaining lives of the related items.

k. Lease improvements

Costs incurred or paid to tenants to renovate premises are recorded as deferred lease improvements and amortized over the life of the lease.

l. Employee future benefits

The Corporation has a Public Service Award Program covering substantially all of its permanent employees. The benefit is based on years of service and the employee's compensation during the final year of employment. This program is funded in the year of retirement of eligible employees.

InNOVAcorp pays 65% of the cost of health care plans for substantially all retirees or surviving spouses or retirees. The program is funded each year by the payment of the required premiums.

InNOVAcorp accrues its obligations under these employee benefit plans as the employees render the services necessary to earn the future benefits and has adopted the following policies:

- The cost of the benefits earned by employees is determined annually using the projected benefit method pro rata on service and management's best estimate of probability of retirement, retirement ages and expected health care costs.

- The excess of the net actuarial gain or loss over 10% of the benefit obligation is amortized over the average remaining service period of active employees, which is 12.78 years.

- The transitional obligation resulting from the implementation of the policy is amortized over the average remaining service period of active employees at inception, which is 15.87 years.

Employees of InNOVAcorp, other than casual employees, are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions and the employer's contributions are included in the expenses of InNOVAcorp. The Province of Nova Scotia administers the Public Service Superannuation Fund and is responsible for any unfunded liability.

m. Financial instruments

InNOVAcorp's financial instruments consist of cash and cash equivalents, receivables, investments and funds, payables and long term debt. It is management's opinion that InNOVAcorp is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, exept for the venutre capital investments which are disclosed in Note 4, and the $8,000,000 Province of Nova Scotia loan for which it is not practical to determine for market value.

3. Assets held for resale

On December 17, 2003, the Corporation reacquired the assets of the Environmental Simulation Lab, previously disposed of in 2002 and included in discontinued operations. The assets are carried at the balance remaining on the lease receivable at the date of repurchase.

The Corporation has reached a tentative agreement with a third party to purchase these assets for $200,000 to be paid in equal monthly instalments over 36 months. The agreement is expected to be finalized by June 30, 2004. Any resulting gains or disposal costs on this sale have not been reported in these financial statements.

4. Nova Scotia First Fund

In 1989 the Nova Scotia First Fund (NSFF) was established by Governor in Council. The objective of the fund is to encourage the development of high technology industries and the adoption of new technologies by existing industries. Fund investments represent investments in development stage enterprises and, as such, have not yet earned significant revenues from their intended business activities or established their commercial viability. The recovery of invested amounts and the realization of investment returns is dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises. Adverse developments could result in further write-downs of the carrying values of these investments.

During 1996-97, InNOVAcorp assumed management of the NSFF pursuant to the Innovation Corporation Act. The administration of investments and obligations made through the NSFF to April 1, 1996 was also transferred to InNOVAcorp. Fund activity during the current year is summarized below:

	Portfolio Investments	Fund Investments	Valuation Adjustment	2004 Fund Balance	2003 Fund Balance
Beginning, Balance	$ 4,928,581	$ 9,183,416	$ (5,735,123)	$ 8,376,874	$ 9,393,115
Add (Deduct):					
Equity investments ...	(999,567)	999,567	—	—	—
Income	264,040	9,447	(295,000)	(21,513)	—
Additions	8,000,000	—	—	8,000,000	(1,016,241)
Return of capital.....	52,361	(52,361)	—	—	—
Ending Balance	$ 12,245,415	$ 10,140,069	$ (6,030,123)	$ 16,355,361	$ 8,376,874

InNOVAcorp is entitled to recover direct expenses associated with its administration of the NSFF. To date it has elected not to charge the Fund for any of the costs incurred.

As at March 31, 2004 there were no approved commitments for the NSFF (2003 - $295,000).

5. Research Endowment Fund

The Research Endowment Fund was transferred to InNOVAcorp when the Nova Scotia Research Foundation Corporation was dissolved. Subject to any directions provided by the Governor in Council, the Fund is administered and controlled by InNOVAcorp. The Fund can be used for purposes consistent with the objects of InNOVAcorp.

The funds have been invested in bonds and debentures and their fair market value approximates cost.

6. Other investments

	2004	2003
Applied Microelectronics Incorporated - 490,000 3%, non-cumulative preferred shares	$ 490,000	$ 490,000
Immune Network Ltd. 1,248,436 common shares	2,753	2,752
The Decision Point 100,000 common shares	1	—
Produxys Solutions Inc. 1,000 common shares	10,000	10,000
	$ 502,754	$ 502,752

Applied Microelectronics Incorporated and Prodyxys Solutions Inc. are carried at cost. Immune Network Ltd. has been written down to reflect the estimated net realizable value.

The Decision Point is accounted for using the equity method of accounting (see Note 2a).

7. Receivables

	2004	2003
Loan receivable	$ —	$ 169,324
Leases receivable	67,825	334,391
	67,825	503,715
Current portion	43,333	194,055
	$ 24,492	$ 309,660

The Company owing the loan receivable became bankrupt during the year. The $139,819 balance remaining on the loan was written off and included in investment income (loss) - other.

InNOVAcorp leases equipment under agreements with terms of three to eight years. The leases, which transfer substantially all of the risks and benefits incidental to ownership, have been accounted for as sales.

During the year, the lease receivable relating to the disposal of the Environmental Simulation Lab was cancelled due to InNOVAcorp's reacquisition of these assets (see Note 3).

The remaining lease bears interest of 5.50% and is payable in monthly instalments. The final payment is due October 1, 2005.

8. Capital assets

	Cost	Accumulated Amortization	2004 Carrying Value	2003 Carrying Value
Land	$ 350,700	$ —	$ 350,700	$ 350,700
Buildings and site improvements	6,022,406	1,655,139	4,367,267	4,498,869
Machinery, equipment and leased equipment	945,824	754,857	190,967	238,007
Computer equipment	595,904	535,342	60,562	86,519
Furniture and fixtures	229,833	152,585	77,248	77,949
Management information system	160,155	114,954	45,201	44,555
	$ 8,304,822	$ 3,212,877	$ 5,091,945	$ 5,296,599

9. Intangible assets

	Cost	Accumulated Amortization	2004 Carrying Value	2003 Carrying Value
Intellectual property	$ 2	$ —	$ 2	$ 2
Incorporation costs	—	—	—	9,333
	$ 2	$ —	$ 2	$ 9,335

10. Deferred lease improvements

	2004	2003
Lease improvements	$ 542,558	$ 135,600
Accumulated amortization	(25,941)	(11,791)
	516,617	123,809
Less: current portion	14,150	14,150
	$ 502,467	$ 109,659

During the year $406,958 was expended as part of a $1,400,000 renovation project. No amortization has been taken on these costs for the year ended March 31, 2004.

Subsequent to year end, an additional $261,830 has been incurred on this project.

11. Employee future benefits

	2004	2003
Long term service award	$ 324,617	$ 243,858
Post retirement benefits	230,188	180,089
	$ 554,805	$ 423,947

The post retirement benefits obligation based on management's assumptions and calculation, is as follows:

	2004	2003
Accrued benefit obligation:		
Balance, beginning of year	$ 180,089	$ 127,563
Current service cost	29,147	30,514
Interest cost	29,698	31,199
Amortization of transitional obligation	29,065	29,065
Less: payments made during the year	(37,811)	(38,252)
Balance, end of year	$ 230,188	$ 180,089

The significant actuarial assumptions adopted by management in measuring the accrued benefit obligations are as follows:

Discount rate	5.38	6.02
Assumed health care cost trend increase	2.60	2.60

InNOVAcorp's net benefit expense for the year was $87,910 (2002 - $90,778).

12. Long term debt

	2004	2003
Nova Scotia Business Inc. (NSBI)	$ 45,428	$ 72,118
Equipment lease obligation	8,736	10,177
Payable to shareholders	—	81,544
Province of Nova Scotia	8,000,000	—
	8,054,164	163,839
Less: Current portion	34,627	31,468
	$ 8,019,537	$ 132,371

The Province of Nova Scotia advanced $8,000,000 in 2004 to the Nova Scotia First Fund. The loan bears interest at 3.94% and is repayable on March 19, 2009 unless InNOVAcorp elects to extend the term. In the event of a term extension, interest for the next five years will be based on the prevailing market rates and the loan will mature on March 19, 2014.

The 5.5% loan payable to NSBI, a party related by virtue of common ownership with the Province of Nova Scotia, is repayable in monthly principal instalments of $2,500 to 2005.

The equipment lease obligations bear interest of 10.8% and 13.99% and are repayable in monthly principal instalments of $479 and $136 to 2005 and 2007.

Principal repayments for the NSBI loan and equipment lease obligation for the next three years years are as follows:

2005	$ 34,627
2006	$ 18,481
2007	$ 1,057

The payable to shareholders were amounts due to the minority shareholders of The Decision Point which no longer consolidated in these financial statements.

13. Government contributions

InNOVAcorp receives an annual contribution from the Province of Nova Scotia as well as funding from various other federal and provincial government agencies for current operations, acquisition of capital assets and special projects funding.

Funding related to the acquisition of capital assets is deferred as disclosed in Note 2(i).

Details of funding for the year are as follows:

	2004	2003
Contributions received - Province of Nova Scotia	$ 2,433,900	$ 2,194,900
Contributions used to finance capital assets	(33,718)	(88,306)
Amortization of capital contributions	85,214	100,577
	51,496	12,271
Net contributions - Province of Nova Scotia	$ 2,485,396	$ 2,207,171

Also included in mentoring revenue are the following government contributions:

	2004	2003
Government of Canada	$ —	$ 485,000
Province of Nova Scotia	—	300,000
	$ —	$ 785,000

14. Capital stock and contributed surplus

	2004	2003
Capital stock		
Class A Common Shares, par value $1	$ 75	$ 75
Principal Share, par value $1	1	1
	76	76
Contributed surplus		
Nova Scotia First Fund	11,110,791	11,110,791
Nova Scotia Research Foundation Corporation	7,509,888	7,509,888
Applied Microelectronics Incorporated (Note 6)	490,000	490,000
	19,110,679	19,110,679
	$ 19,110,755	$ 19,110,755

15. Unusual items

	2004	2003
Opening non-controlling interest	$ —	$ (323,399)
Proportion of losses up to date of agreement	—	(132,512)
Reduction of interest in The Decision Point	288,545	—
Total gain (loss) on takeover/reorganization	$ 288,545	(455,911)

On December 18, 2002, The Decision Point issued an additional 700,000 shares to InNOVAcorp, the minority partners and an additional investor in exchange for intellectual property. This share issue decreased InNovacorp's ownershup interest from 80% to 69%.

On March 31,2003, an additional 818,000 shares were issued to InNOVAcorp, increasing its ownership to 86%.

On March 31, 2004, InNOVAcorp entered into a reorganization agreement whereby it acquired the intellectual property of The Decision Point in exchange for shares and debt. As a result, InNOVAcorp's ownership was reduced to 30% (see Note 2a). InNOVAcorp's investment in The Decision Point is now carried at $1 and the net impact of these transactions was a $288,545 reduction in exposure on this investment.

16. Discontinued operations

		2004		2003
Sale of Environmental Simulation Lab				
Net (loss) earnings for the year	$	(13,970)	$	1,547
Sale of Nova Magnetics Limited				
Net earnings for the year		2,684		13,711
	$	(11,286)	$	15,258

These divisions were sold in 2001 and 2002.

The activity in Nova Magnetics Limited during the year related to sales to third parties of inventories consigned to Nova Magnetics Limited.

During the year, the assets of Environmental Simulation Lab were reacquired by the Corporation (see Note 3). The activity in the Environmental Simulator Lab includes the costs associated with the seconded employees to the date of repurchase, as well as operating income and expenses thereafter.

17. Prior period restatement

During the year, the Corporation retroactively adopted the guidelines of Section 3461 of the CICA Handbook for post retirement benefits. The adoption of the policy has resulted in the following increases in amounts previously reported:

March 31, 2002 deficit	$	118,555
March 31, 2003 receivables	$	14,839
Fiscal 2003 post retirement benefit expense	$	46,695
March 31, 2003 employee future benefit liability	$	180,089

18. Supplemental cash flow information

		2004		2003
Change in non-cash operating working capital:				
Receivables	$	(240,259)	$	195,058
Inventories		13,066		(559)
Payables and accruals		(237,750)		(180,187)
Payable to Province of Nova Scotia		1,026,923		117,261
Deferred revenue		114,808		(663)
	$	676,788	$	130,910
Reduction of interest in The Decision Point				
Payables and accruals	$	175,253	$	—
Capital assets		6,999		—
Long term debt		(81,544)		—
	$	100,708	$	—

19. Related party transactions

Entity	Relationship	Revenues Generated	Year End Receivable
PlantSelect Biotechnology Systems Limited	50% investee	$ 2,248	$ 359,946
BioScience Enterprise Centre	Managed Incubator	3,233	49,769
NSFF Investments	Investees	50,437	30,317

Facilities and administrative services are provided to PlantSelect Biotechnology Systems Limited at no cost. During the year, net advances of $979 were made to Plant Select Biotechnology Systems Limited. The receivable is offset by an allowance for doubtful accounts of $181,366, with the remaining balance representing anticipated Scientific Research and Experimental Development tax credits.

During the year, net advances of $11,351 were made to the BioScience Enterprise Centre.

Sales to NSFF investees are at the same prices and terms as with unrelated parties.

InNOVAcorp has the use of the Technology Innovation Centre, which is owned by the Province of Nova Scotia, at no cost.

During the year InNOVAcorp paid $3,310 (2003 - $4,360) in interest to NSBI, a party related by common ownership with the Province of Nova Scotia.

20. Commitments

In connection with the renovation project described in Note 10, the Corporation has committed to pay up to $1,400,000 to complete this project of which $406,958 was expended in 2004 and an additional $261,830 subsequent to year end.

21. Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the financial statement presentation adopted for the current year.

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Justice

I have audited the balance sheet of Nova Scotia Legal Aid Commission as at March 31, 2004, and the statements of revenue and expenses, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

E. R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
June 10, 2004

NOVA SCOTIA LEGAL AID COMMISSION

Statement of Revenue and Expenses
Year Ended March 31, 2004

	2004	2003
Revenue		
Grants - Province of Nova Scotia	$ 15,421,658	$ 12,655,871
Interest	174,513	117,281
Other income	132,510	107,274
	15,728,681	12,880,426
Expenses (Page 358)		
Amortization	219,838	221,681
Directors' fees	15,238	8,400
Equipment and maintenance	96,597	90,237
Library	137,523	166,193
Membership, meetings and conferences	212,638	179,289
Office disbursements	235,236	257,947
Private solicitors' fees (Note 6)	2,344,466	2,133,985
Professional and other fees	187,345	144,648
Salaries and benefits	9,377,741	8,874,465
Supplies and services	981,207	948,491
Travel	157,594	152,833
	13,965,423	13,178,169
Excess (deficiency) of revenue over expenses before special cases	1,763,258	(297,743)
Special cases (Note 7)		
Contribution from the Province of Nova Scotia	272,811	257,426
Contributions from clients	16,847	17,910
	289,658	275,336
Expenses, special cases	289,658	275,336
	---	---
Excess (deficiency) of revenue over expenses	$ 1,763,258	$ (297,743)

See accompanying notes to the financial statements.

NOVA SCOTIA LEGAL AID COMMISSION

Balance Sheet
March 31, 2004

	2004	2003
ASSETS		
Current		
Cash and cash equivalents	$ 222,750	$ 1,674,286
Investments	5,450,000	2,161,446
Receivables	181,020	80,088
Prepaids	34,987	29,685
	5,888,757	3,945,505
Trust Fund - long service awards (Note 3)	1,714,342	1,563,638
Capital assets (Note 4)	252,012	438,177
	$ 7,855,111	$ 5,947,320
LIABILITIES		
Current		
Payables and accruals (Notes 5 and 6)	$ 1,611,512	$ 1,442,248
Deferred contribution - special cases (Note 7)	772,654	784,931
	2,384,166	2,227,179
Long term		
Long service awards (Note 8)	1,714,342	1,563,638
Deferred contributions - capital assets (Note 9)	534,051	697,209
	4,632,559	4,488,026
Net Assets		
Unrestricted net assets	1,865,298	428,484
Reserve for capital asset expenditures (Note 10)	150,000	150,000
Net assets invested in capital assets (Page 351)	171,914	194,921
Reserve for future case completion (Page 351 & Note 10)	1,035,340	685,889
	3,222,552	1,459,294
	$ 7,855,111	$ 5,947,320

Commitment and contingencies (Note 11)

See accompanying notes to the financial statements.

NOVA SCOTIA LEGAL AID COMMISSION

Statement of Changes in Net Assets
Year Ended March 31, 2004

	Unrestricted Net Assets	Reserve for Capital Asset Expenditures	Net Assets Invested in Capital Assets	Reserve for Future Case Completion	2004 Total	2003 Total
Balance, beginning of year	$ 428,484	$ 150,000	$ 194,921	$ 685,889	$ 1,459,294	$ 1,757,037
Excess (deficiency) of revenue over expenses	1,763,258	—	—	—	1,763,258	(297,743)
Purchase of capital assets	(33,673)	—	33,673	—	—	—
Amortization, net	56,680	—	(56,680)	—	—	—
Transfer to reserve for future case completion	(349,451)	—	—	349,451	—	—
Balance, end of year	$ 1,865,298	$ 150,000	$ 171,914	$ 1,035,340	$ 3,222,552	$ 1,459,294

See accompanying notes to the financial statements

NOVA SCOTIA LEGAL AID COMMISSION

Statement of Cash Flows
Year Ended March 31, 2004

	2004	2003
Increase (decrease) in cash and cash equivalents		
Operating		
Excess (deficiency) of revenue over expenses	$ 1,763,258	$ (297,743)
Amortization	219,838	221,681
Amortization of deferred contributions - capital	(163,158)	(172,371)
	1,819,938	(248,433)
Change in non-cash operating working capital (Note 13)	63,030	(76,046)
	1,882,968	(324,479)
Financing		
Advances for special cases, net	(12,277)	260,233
Advances for capital asset purchases	---	320,400
	(12,277)	580,633
Investing		
(Increase) decrease in investments	(3,288,554)	1,838,130
Purchase of capital assets	(33,673)	(98,059)
	(3,322,227)	1,740,071
Net (decrease) increase in cash and cash equivalents	(1,451,536)	1,996,225
Cash and cash equivalents,		
Beginning of year	1,674,286	(321,939)
End of year	$ 222,750	$ 1,674,286

See accompanying notes to the financial statements.

NOVA SCOTIA LEGAL AID COMMISSION

Notes to the Financial Statements
March 31, 2004

1. Authority

The Nova Scotia Legal Aid Commission was established in 1977 pursuant to the Legal Aid Act. The Act and Regulations stipulate that the Commission can provide legal services to persons whose income is derived primarily from municipal or provincial social assistance or to persons in an equivalent position.

Commission activities are funded by a grant from the Province of Nova Scotia. The Province in turn receives a contribution from the Government of Canada for legal aid provided by the Commission.

2. Summary of significant accounting policies

Revenue
Operating grants and other revenue are recorded on the accrual basis.

Contributions from the Province of Nova Scotia for the acquisition of capital assets are recorded as deferred contributions and are amortized to revenue in accordance with the amortization schedule for each capital asset acquired.

Capital assets
Capital assets are stated at cost and are amortized on a straight-line basis over their estimated useful lives:

Computer equipment	33.33% per year
Furniture and equipment	20% per year
Leasehold improvements	Over term of lease
Equipment under capital lease	33.33% per year

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand and balances with banks.

Special cases
Periodically, the Commission provides legal services to clients upon special request from the Department of Justice where the clients would not otherwise be eligible under the Commission's guidelines. Contributions and expenses related to these special cases are presented separately on the statement of revenue and expenses.

Investments
Investments consist of banker acceptance notes and are valued at cost, which approximates market value. These banker acceptance notes bear interest in a range of 2.40% to 2.65% and mature between 30 and 42 days after year-end.

Financial instruments
The Commission's financial instruments consist of cash and cash equivalents, investments, receivables and payables. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Commission estimates that the fair value of its cash and cash equivalents, investments, receivables and payables approximate their carrying values due to the relatively short period to maturity of these financial instruments.

Use of estimates
The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

3. Trust Fund - long service awards

The Commission follows the provisions of the Civil Service Act with respect to the payment of long service awards to retiring employees. The Commission is responsible for the funding and eventual payment of these awards.

The Commission maintains a trust fund to provide for the eventual payment of awards and to administer long service award advances. The Commission provides contributions, from general operating funds, to defray future obligations for long service awards.

In prior years, employees with fifteen years of employment could apply for an advance on their long service award. Advances are repayable upon retirement or termination, together with interest at the provincial borrowing rate which existed at the time of the advance. To date, six employees have received advances. Advances plus accrued interest at March 31, 2004 totalled $84,119 (2003 - $148,947).

	2004	2003
Balance, beginning of year	$ 1,563,638	$ 1,425,108
Add: Contribution from operating funds	76,973	74,815
Outstanding year end contribution	88,004	26,007
Interest on long service award advances	6,870	7,190
Interest on investments	38,293	30,518
	210,140	138,530
Less: Long service awards paid to retiring employees	59,391	—
Operating charges	45	—
	59,436	—
Balance, end of year	$ 1,714,342	$ 1,563,638
Consisting of:		
Cash	$ 15,219	$ (2,166)
Investments and accrued interest on investments	1,527,000	1,390,850
Receivable - long service award advances and accrued interest on advances	84,119	148,947
Contribution due from operating funds	88,004	26,007
	$ 1,714,342	$ 1,563,638

4. Capital assets

	Cost	Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
Computer equipment	$ 494,489	$ 377,001	$ 117,488	$ 261,780
Furniture and equipment	137,165	51,278	85,887	110,792
Leasehold improvements	106,769	58,132	48,637	65,605
	$ 738,423	$ 486,411	$ 252,012	$ 438,177

5. Payables and accruals

		2004		2003
Supplies and services	$	118,816	$	119,943
Accrued private solicitors' fees (Note 6)		1,308,321		1,228,530
Employee salaries and benefits		184,375		93,775
	$	1,611,512	$	1,442,248

6. Measurement uncertainty

Measurement uncertainty is uncertainty in the determination of the amount at which an item is recognized in the financial statements. This exists when there is a variance between the recorded amount and another reasonable possible amount.

Measurement uncertainty in these financial statements is inherent in the recording of accrued private solicitors' fees. At the end of each fiscal year the Commission has a liability for work conducted by private solicitors that is not yet billed and paid. At March 31, 2004, a liability of $1,308,321 (2003 - $1,228,530) was recorded, of which $1,067,512 (2003 - $1,050,157) was estimated using a system that incorporates average costs and time frames for similar cases over the last two years. The estimate will vary from the eventual billings from private solicitors due to the specific requirements of each case.

7. Deferred contribution - special cases

Special case funding is received from the Province of Nova Scotia and is restricted solely for expenditures incurred in the process of defending clients. Amounts not used for current expenditures are deferred to be applied against future cases. Any funding not committed at the conclusion of the cases must be returned to the Province of Nova Scotia.

8. Long service awards

Employees of the Commission are entitled to long service awards upon retirement. The awards are based on the number of years of service of the employee, and are earned at the rate of one week's pay for every year of service, to a maximum of twenty-six weeks.

In 2004, the Commission engaged an outside consultant to estimate the liability relating to the awards. Based on the estimate of the present value of obligation respecting long service awards at March 31, 2004, the long service award trust funds of $1,714,342 (2003 - $1,563,638) are sufficient to fund the liability.

9. Deferred contributions - capital assets

Deferred contributions includes funding received from the Province of Nova Scotia (offset anticipated costs of upgrading the Commission's computer systems). The changes in the deferred contributions balance for the period are as follows:

		2004		2003
Balance, beginning of year	$	697,209	$	549,180
Less: amounts amortized to revenue		(163,158)		(172,371)
Plus: contributions received		---		320,400
Balance, end of year	$	534,051	$	697,209

10. Reserves

Reserve for capital asset expenditures
The Commission has appropriated an amount from unrestricted net assets that approximates management's best estimate of the future capital expenditures that will be required to upgrade its management information systems.

Reserve for future case completion
The Commission has appropriated an amount from unrestricted net assets that approximates management's best estimate of the remaining cost to complete the cases that are in progress as at March 31, 2004.

11. Commitments and contingencies

a) The Commission has entered into lease agreements for ten of its offices. The remaining three offices do not have formal lease agreements. Lease agreements typically call for payment of a base rent plus a provision for the Commission's portion of operating costs and property taxes. Lease terms vary by office.

Minimum lease payments for the next five fiscal years, not including operating costs and taxes, are as follows:

2005	571,306
2006	435,315
2007	247,098
2008	209,357
2009	209,357

b) The Commission provides funding to Dalhousie Legal Aid Services. The Commission has agreed to provide a grant of $69,000 to Dalhousie Legal Aid Services for the year ending March 31, 2005.

c) The Commission has been named a defendant in an action. As of the audit report date, the outcome of this claims is not determinable, and accordingly, no provision has been made for it in the financial statements.

12. Client Trust Funds

On March 31, 2004, $32,547 (2003 - $2,354) was held in trust for clients. These trust funds are accounted for separately and are not reflected in the financial statements.

13. Supplemental cash flow information

	2004	2003
Change in non cash-operating working capital:		
Receivables	$ (100,932)	$ 257,421
Prepaids	(5,302)	(7,065)
Payables and accruals	169,264	(326,402)
	$ 63,030	$ (76,046)
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	$ 222,750	$ 1,674,286

14. Pensions

Pursuant to Section 7 of the Legal Aid Act, all permanent employees of the Commission are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Commission's operating expenses in the amount of $164,977 (2003 - $100,822). The Commission is not responsible for any unfunded liability with respect to the superannuation fund.

NOVA SCOTIA LEGAL AID COMMISSION

Schedule of Expenses
Year Ended March 31, 2004

		2004	2003
	Budget	Actual	Actual
Amortization	$ —	$ 219,838	$ 221,681
Directors' fees	45,000	15,238	8,400
Equipment and maintenance			
Leasehold improvements	26,400	2,768	10,678
Office furniture and equipment	41,000	12,035	17,278
Office machine leasing	61,400	53,469	34,808
Office machine maintenance	36,700	28,325	27,473
	165,500	96,597	90,237
Library	185,000	137,523	166,193
Membership, meetings and conferences			
Membership and dues	148,000	128,894	108,240
Meetings and conferences	101,000	83,744	71,049
	249,000	212,638	179,289
Office disbursements			
Civil and family	150,000	102,253	117,407
Criminal	150,000	118,036	129,717
Young Offender	22,000	14,947	10,823
	322,000	235,236	257,947
Private solicitors' fees			
Civil and family - conflicts	1,247,000	1,272,012	1,059,339
Criminal - choice of counsel	230,600	43,207	201,744
Criminal - conflicts	764,600	876,138	679,653
Young offender - choice of counsel	—	2,584	4,149
Young offender - conflicts	221,000	150,525	189,100
	2,463,200	2,344,466	2,133,985
Professional and other fees			
Professional fees	165,500	174,911	137,778
Consultant fees	20,000	12,434	6,870
	185,500	187,345	144,648
Salaries and benefits	9,434,600	9,377,741	8,874,465
Supplies and services			
General cleaning and office expense	69,500	85,939	56,319
Heat, light and water	27,000	28,367	20,992
Miscellaneous	1,000	1,547	1,511
Printing and stationery	98,000	91,692	90,663
Rent, insurance and taxes	628,600	596,133	580,326
Telephone and postage	190,000	177,529	198,680
	1,014,100	981,207	948,491
Travel	156,400	157,594	152,833
	$ 14,220,300	$ 13,965,423	$ 13,178,169

AUDITORS' REPORT

To the Members of the Board of
Nova Scotia Liquor Corporation

We have audited the balance sheet of The Nova Scotia Liquor Corporation as at March 31, 2004 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The previous year's comparative figures were audited by another firm of Chartered Accountants.

Grant Thornton LLP
Chartered Accountants

Dartmouth, Nova Scotia
May 21, 2004

THE NOVA SCOTIA LIQUOR CORPORATION

Statement of Earnings and Retained Earnings
Year ended March 31, 2004

	2004 (in thousands)	% of Sales	2003 (in thousands)	% of Sales
Net sales	$ 437,143	100.0	$ 412,380	100.0
Cost of goods sold	213,308	48.8	202,806	49.2
	223,835	51.2	209,574	50.8
Store operating expenses	38,095	8.7	36,001	8.7
	185,740	42.5	173,573	42.1
Depreciation and amortization	3,200	0.7	3,787	0.9
Warehousing and distribution expenses	5,013	1.1	4,090	1.0
Administrative expenses	9,857	2.5	9,195	2.2
Other revenue	(4,538)	(1.0)	(4,243)	(1.0)
Other expenses	4,415	1.0	2,878	0.7
	17,947	4.3	15,707	3.8
Net earnings	$ 167,793	38.2	$ 157,866	38.3

	2004	2003
Retained earnings, beginning of year	$ ---	$ ---
Net earnings	167,793	157,866
Other adjustments (Note 9)	(1,041)	---
Distributions to the Province	(166,752)	(157,866)
Retained earnings, end of year	$ ---	$ ---

See accompanying notes to financial statements.

THE NOVA SCOTIA LIQUOR CORPORATION

Balance Sheet
Year ended March 31, 2004

ASSETS

	2004	2003
	(in thousands)	
Current		
Cash	$ 5,585	$ 6,756
Receivables	1,620	2,287
Inventories	30,950	26,815
Prepaids	2,614	2,150
	40,769	38,008
Property and equipment (Note 3)	12,491	11,487
Assets under capital lease, net of accumulated depreciation of $9,853 (2003 - $9,420)	978	1,411
	$ 54,238	$ 50,906

LIABILITIES

	2004	2003
Current		
Payables and accruals	$ 28,129	$ 19,276
Due to Minister of Finance	3,927	9,874
Current portion of obligation under capital lease	558	486
Current portion of employee future benefit obligations	631	985
	33,245	30,621
Obligations under capital lease (Note 4)	6,692	7,250
Employee future benefit obligations (Note 5)	14,301	13,035
	$ 54,238	$ 50,906

Commitments (Note 6)

See accompanying notes to the financial statements.

THE NOVA SCOTIA LIQUOR CORPORATION

Statement of Cash Flows
Year ended March 31, 2004

	2004	2003
	(in thousands)	
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	$ 167,793	$ 157,866
Other adjustments	(1,041)	—
Depreciation and amortization	3,200	3,787
Increase in employee future benefit obligations	912	715
	170,864	162,368
Change in non-cash operating working capital (Note 7)	3,813	(9,282)
	174,677	153,086
Financing		
Principal payments on obligations under capital lease	(486)	(424)
Remittances to Minister of Finance	(172,700)	(154,400)
	(173,186)	(154,824)
Investing		
Purchase of property and equipment	(2,662)	(2,239)
Decrease in cash and cash equivalents	(1,171)	(3,977)
Cash and cash equivalents, beginning of year	6,756	10,733
Cash and cash equivalents, end of year	$ 5,585	$ 6,756

See accompanying notes to financial statements.

THE NOVA SCOTIA LIQUOR CORPORATION

Notes to Financial Statements
Year ended March 31, 2004

1. Nature of operations

The Nova Scotia Liquor Corporation administers the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989 and is a government business enterprise as defined by Public Sector Accounting Board recommendations. The Corporation was created June 1, 2001, by Chapter 4 of the Government Restructuring (2001) Act, via continuance of the Nova Scotia Liquor Commission as a body corporate. The Corporation is exempt from income tax under Section 149 of the Income Tax Act.

2. Summary of significant accounting policies

Inventories
Inventories of stock in warehouse and stores are valued at the lower of cost and net realizable value. Customs and excise tax have not been included where payment is due upon shipment from bonded warehouse.

Depreciation
Property and equipment are recorded at cost. Depreciation and amortization are provided on the straight-line basis at the following annual rates:

Furniture, fixtures, portable equipment, other equipment and capital and leasehold improvements	10%
Computers - stand-alone	33%
Computers - integrated systems	20%
Land and buildings	4%

In the year of addition, depreciation is charged at the full annual rate.

Land costs which normally would not be depreciated are depreciated due to the retention of proceeds by the Province of Nova Scotia.

Assets under capital lease
Assets under capital lease are amortized over their estimated useful lives using the straight-line method.

Employee future benefits
The Corporation has a Public Service Award Program covering substantially all of its permanent employees. The benefit is based on years of service and the employee's compensation during the final year of employement. This program is funded in the year of retirement of eligible employees.

The Corporation pays 65% of the cost of health care plans for substantially all retirees or surviving spouses of retirees. The program is funded each year by the payment of the required premiums.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the employee future benefits. The Corporation has adopted the following policies:

- The cost of the benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected salary escalation, retirement ages and expected health care costs.

- The excess of the net actuarial gain or loss over 10% of the benefit obligation is amortized over the average remaining service period of active employees, which is 11.5 years.

Permanent employees are members of the Nova Scotia Public Service Superannuation Plan. The cost of pension benefits is the responsibility of the Province of Nova Scotia and accordingly no provision is included in the Corporation's financial statements for pension related amounts. The pension related assets and liabilities are accounted for in the Public Accounts of Nova Scotia.

Use of estimates
The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

Financial instruments
The Corporation's financial instruments include cash and cash equivalents, receivables, payables and accruals, due to Minister of Finance and obligations under capital lease. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair value of these financial instruments approximate their carrying values except for the obligation under capital lease. The fair value of the obligation under capital lease was not determinable due to the fact exit costs were not known. These exit costs would be a significant component of the fair value calculation, as the implicit rate of the lease of 13.8% is in excess of the current market cost of capital for the Corporation.

3. Property and equipment

	2004	2003
Furniture and fixtures	$ 5,997	$ 6,125
Other equipment	7,316	7,288
Computers	7,563	7,191
Land and buildings	13,875	12,809
Capital and leasehold improvements	26,886	25,562
	61,637	58,975
Less: accumulated depreciation	49,146	47,488
	$ 12,491	$ 11,487

4. Obligation under capital lease:

The Nova Scotia Liquor Corporation has an obligation under a capital lease, which matures in 2012. The obligation represents the total present value of future minimum lease payments discounted at the rate implicit in the lease which is 13.8%. The future minimum lease payments together with the balance of the obligation under capital lease as of March 31, 2004 is as follows:

2005	$ 1,536
2006	1,536
2007	1,536
2008	1,536
2009	1,536
2010-2012	4,228
Total minimum lease payments	11,908
Less amount representing interest	4,658
Balance of obligation	7,250
Less current portion of obligation	558
	$ 6,692

Administrative expenses include interest of $1,050 (2003 - $1,113) related to this obligation.

5. Employee future benefits

The Corporation has two employee future benefit plans for which it is responsible as described in Note 2.

Information about these benefit plans, in aggregate, based on the April 1, 2002 actuarial valuation extrapolated to March 31, 2004 is as follows:

	2004 (in thousands)	2003
Accrued benefit obligation:		
Balance, beginning of year	$ 15,003	$ 12,455
Current service cost	558	592
Interest cost	926	895
Benefits paid	(602)	(795)
Actuarial Losses	15	1,856
Balance, end of year, and funded status - deficit	15,900	15,003
Less: current portion.	(631)	(985)
Unamortized net actuarial loss.	(968)	(983)
Accrued benefit liability	$ 14,301	$ 13,035

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	2004	2003
Discount rate	6.17%	6.17%
Rate of compensation increase	2.50%	2.50%

The assumed health care cost trend rate at April 1, 2004 was 11%, decreasing at 1% per annum to an ultimate rate of 5.0% per annum.

The Corporation's net benefit plan expense was $1,551 (2003 - $1,510).

6. Commitments

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2005 and 2010. Some of these operating leases contain renewal options at the end of the initial lease term.

The following schedule approximates future minimum rental payments required under operating leases that have initial lease terms in excess of one year, as of March 31, 2004:

2005	$	2,913
2006	$	2,112
2007	$	1,684
2008	$	909
2009	$	323
2010	$	80

7. Supplemental cash flow information

Change in non cash operating working capital

	2004	2003
Receivables	$ 667	$ 170
Inventory	(4,135)	(7,299)
Prepaid expenses	(464)	(2,097)
Payables and accruals	7,745	(56)
	$ 3,813	$ (9,282)
Cash and cash equavilents consist of:		
Cash on hand and balances with banks	$ 5,585	$ 6,756
Interest and bank charges paid	$ 236	$ 235

8. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

9. Other adjustments

The Corporation recorded adjustments of $1,041 including HST, receivables, and payables items related to years prior to 2003. As net earnings are transferred to the Province annually, this amount has reduced the current year's distribution to the Province in the calculation of retained earnings.

AUDITORS' REPORT

To the Directors of
Nova Scotia Municipal Finance Corporation

We have audited the balance sheet of the Nova Scotia Municipal Finance Corporation as at March 31, 2004 and the statements of revenue, expenditure and reserve fund and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Halifax, Nova Scoia
April 30, 2004

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Balance Sheet
Year Ended March 31, 2004 with comparative figures 2003

	2004	2003
ASSETS		
CURRENT ASSETS:		
Cash	$ 36,715	$ 129,883
Short-term investments, at amortized cost (market - $4,187,000; 2003 - $5,461,055) (Note 11)	4,187,000	5,461,055
Accrued interest receivable	10,284,626	10,371,094
Other receivables	331	1,904
Principal due within one year on loans to units	70,303,478	63,054,835
	84,812,150	79,018,771
LONG-TERM ASSETS:		
Loans to units (Note 3)	492,950,648	482,888,121
Less principal included in current assets	70,303,478	63,054,835
	422,647,170	419,833,286
Investments, at amortized cost (market - $469,731; 2003 - $NIL) (Note 11)	456,414	—
	423,103,584	419,833,286
DEFERRED CHARGES:		
Discount on debenture debt	2,616,884	2,562,324
Less accumulated amortization	1,699,284	1,592,606
	917,600	969,718
	$ 508,833,334	$ 499,821,775
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 39,428	$ 47,199
Due to municipal units	133,286	1,175,055
Accrued interest payable	10,249,709	10,344,853
Principal due within one year on debenture debt	70,256,012	62,965,496
	80,678,435	74,532,603
Accrued public service awards (Note 10)	65,073	42,573
LONG-TERM DEBT		
Debentures payable (Note 5)	492,603,254	482,460,750
Less principal included in current liabilities	70,256,012	62,965,496
	422,347,242	419,495,254
DEFERRED CREDITS		
Discount on loans to units	2,611,192	2,557,525
Less accumulated amortization	1,698,785	1,593,637
	912,407	963,888
EQUITY		
Reserve fund	4,830,177	4,787,457
	$ 508,833,334	$ 499,821,775

See accompanying notes to the financial statements.

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Statement of Revenue, Expenditure and Reserve Fund
Year Ended March 31, 2004 with comparative figures 2003

	2004	2003
REVENUE		
Interest on loans to units	$ 30,001,901	$ 30,454,163
Amortization of discount on loans to units	251,819	250,185
Interest on short term investments	138,038	147,069
Recovery of issue costs and reserve charge	452,378	609,014
	30,844,136	31,460,431
EXPENITURE		
Interest on debenture debt and short term loans	29,970,691	30,442,061
Amortization of discount on debenture debt	252,437	252,257
Debenture issue expenses	267,875	373,221
Administrative expenses (Note 6)	310,413	288,964
	30,801,416	31,356,503
NET REVENUE	42,720	103,928
RESERVE FUND, BEGINNING OF YEAR	4,787,457	4,683,529
RESERVE FUND, END OF YEAR	$ 4,830,177	$ 4,787,457

See accompanying notes to the financial statements.

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Statement of Cash Flows
Year ended March 31, 2004 with comparative figures 2003

	2004	2003
Cash provided by (used for)		
Operations		
Net revenue. $	42,720 $	103,928
Add (deduct) items not involving cash		
Amortization of discount on loans to units	(251,819)	(250,185)
Amortization of discount on debenture debt	252,437	252,257
Amortization of premiums on investments	(23,414)	(22,140)
Change in non-cash working capital (Note 9)	(14,874)	(32,022)
Increase in accrued public service awards.	22,500	17,800
	27,550	69,638
Investments		
Issued loans of $73,117,362 to units on security of debentures, net of discounts of $200,338 (2003 - $95,623,822 net of discounts of $258,491)	(72,917,024)	(95,365,331)
Principal received on loans to units.	63,054,835	94,534,811
Principal due to municipal units.	133,286	1,175,055
Principal (paid) received on maturing investments.	(1,608,055)	608,851
	(11,336,958)	953,386
Financing		
Issue of debentures of $73,108,000, net of Discounts of $200,319 (2003 - $95,624,000 net of discounts of $264,722)	72,907,681	95,359,278
Principal payment on debenture debt	(62,965,496)	95,335,750
	9,942,185	23,528
(DECREASE) INCREASE IN CASH.	(1,367,223)	1,046,552
CASH POSITION, BEGINNING OF YEAR	5,590,938	4,544,386
CASH POSITION, END OF YEAR $	4,223,715 $	5,590,938

Cash position is defined as cash and short-term investments less bank indebtedness. The cash position at year end is made up of the following:

	2004	2003
Cash. $	36,715 $	129,883
Short term investments.	4,187,000	5,461,055
$	4,223,715 $	5,590,938

See accompanying notes to the financial statements.

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Notes to the Financial Statements
Year ended March 31, 2004

The Corporation was created by the Municipal Finance Corporation Act which was proclaimed on July 31, 1979. The Corporation began operations on January 1, 1980 and has a March 31 fiscal year-end. The object of the Corporation is to provide financing of approved capital projects for municipalities, municipal enterprises, regional school boards, and hospitals through a central borrowing authority.

1. Summary of significant accounting policies

A) Discounts on debenture debt and loans to units are being amortized over the life of the debentures payable and the loans receivable to which they relate, using the debentures outstanding method.

B) The Reserve Fund was created from accumulated surpluses and interest earnings on funds which had been advanced by the Province of Nova Scotia and interest on other surplus monies. The purpose of the Reserve Fund is to provide a capital base for the Corporation, as well as to provide for funds which may be required for administrative purposes and timing differences.

C) Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management does not anticipate that actual results will differ materially from those estimates.

D) The Corporation recognizes interest income on an accrual basis.

2. Fair values of financial instruments

Financial assets and financial liabilities:
The fair values of cash, accrued interest receivable, other receivables, accounts payable, accrued interest payable and principal due within one year on loans to units and debenture debt are assumed to approximate their carrying amounts because of their short term to maturity. The fair values of investments are assumed to approximate quoted market values as disclosed in the financial statements.

The fair values of the Corporation's loans to units and debentures payable fluctuate with changes in current lending rates, and was not practical to determine. The Corporation's mandated rate of interest charged on loans to units is directly correlated to its cost of borrowing, thereby providing a hedge against equity erosion. As the Corporation normally holds the debentures to muturity, book values of the investments and debentures have not been adjusted to reflect differences.

It is management's opinion that the Corporation is not exposed to significant interest or credit risks arising from financial instruments.

3. Loans to units

A) Loans to units are made on the security of their debentures, due in annual instalments for periods up to a maximum of twenty years. Interest rates on the loans range from 1.0% to 12.5%. Due to existing provision for the recovery of any defaults by units, an allowance for doubtful accounts is not required.

B) Principal payments receivable in each of the next five years are as follows:

2005	$	70,303,478
2006		69,947,777
2007		67,427,708
2008		63,967,212
2009		49,924,708

4. Trust funds under administration

The Corporation has no Trust Funds under its administration for the year ended March 31, 2004.

5. Debentures payable:

A) The debenture debt outstanding at March 31, 2004 totalling $492,603,254 (2003 - $482,460,750) is in Canadian funds and is fully guaranteed by the Province of Nova Scotia, with the exception of Series "AT" which is a private placement.

Series	Date Issued	Maturity Date	Interest Rate		Debt Outstanding
N	Apr. 2/85	2004 to 2005	12.375-12.500	$	1,700,000
AG	July 13/94	2004	9.250		3,900,000
AH	Dec. 8/94	2004	9.750		6,950,000
AI *	May 2/95	2004 to 2005	9.000-9.125		6,815,000
AJ	Nov. 14/95	2004 to 2005	8.000-8.125		10,090,000
AK *	May 14/96	2004 to 2006	7.750-8.000		18,969,000
AL	Oct. 28/96	2004 to 2006	7.500		9,095,000
AM *	May 12/97	2004 to 2007	6.750-7.000		26,507,000
AN *	Oct. 17/97	2004 to 2007	5.750-6.250		23,091,000
AP *	Jan. 30/98	2005 to 2019	5.625-6.125		37,374,000
AQ	May 15/98	2004 to 2008	5.250-5.500		21,227,000
AR *	Dec. 1/98	2004 to 2008	5.375-5.625		31,176,000
AS *	May 17/99	2004 to 2009	5.125-5.375		27,269,000
AT	May 28/99	2004 to 2015	1.000		2,025,000
AU *	Dec. 22/99	2004 to 2009	6.500-6.750		27,093,000
AV *	June 1/00	2004 to 2010	6.625-6.875		18,355,000
AW *	Nov. 9/00	2004 to 2010	6.125-6.375		18,853,000
AX *	May 29/01	2004 to 2011	5.250-6.250		25,234,000
AY *	Nov. 7/01	2004 to 2011	4.250-6.000		15,836,000
AZ *	May 15/02	2004 to 2012	4.250-6.125		48,440,000
BA *	Nov. 7/02	2004 to 2017	3.625-6.000		28,650,000
BB *	Jan. 9/03	2004 to 2023	5.913		10,846,254
BC *	May 28/03	2004 to 2018	3.500-5.750		50,887,000
BD *	Oct. 15/03	2004 to 2018	2.750-5.375		22,221,000
				$	492,603,254

* Placed directly with the Province of Nova Scotia

Interest is payable semi-annually, except for Series "AT", which is payable annually.

B) Principal payments due in each of the next five years are as follows:

2005	$	70,256,012
2006		69,909,289
2007		67,153,723
2008		63,943,383
2009		49,916,342

6. Administrative expenses

	2004 Budget	2004 Actual	2003 Actual
Salaries and benefits	$ 235,313	$ 232,434	$ 215,124
Travel	5,800	2,795	4,698
Equipment and maintenance	4,500	4,597	655
Printing	2,700	(133)	2,678
Postage	1,600	1,414	1,413
Telecommunications	4,700	3,294	3,966
Stationery and supplies	5,000	3,146	3,311
Professional services	24,000	24,000	23,005
Bank charges	5,300	3,766	3,197
Directors' fees and expenses	5,600	4,543	5,731
Professional development	8,100	5,694	7,010
Dues and subscriptions	1,995	2,278	1,835
Insurance	745	821	617
Other	500	8,127	724
Office rent	14,200	6,664	13,000
Special projects	15,000	4,973	---
Client education	2,000	2,000	2,000
	$ 337,053	$ 310,413	$ 288,964

7. Payment of Provincial portion of Reserve Fund Province of Nova Scotia

In fiscal 1998-1999 the Corporation transferred $1,500,000 of the Reserve Fund to the Province of Nova Scotia. This amount represented the Province's share of the Reserve Fund. The basis for this calculation was the portion of total Nova Scotia Municipal Finance Corporation loans made since its inception that were made to schools and hospitals. In exchange for the $1,500,000 payment, the Province recognized the remainder of the Reserve as the Municipal portion.

8. Taxes

The Corporation is not subject to provincial or federal taxes.

9. Change in non-cash working capital

	2004	2003
Accrued interest receivable	$ 86,468	$ 822,241
Other receivables	1,573	367
Accounts payable	(7,771)	(18,906)
Accrued interest payable	(95,144)	(835,724)
	$ (14,874)	$ (32,022)

10. Public service awards

As at March 31, 2004, the Corporation has recorded a liability in the amount of $65,073 in respect of a provincial public service award for the employees of the Corporation.

11. Investments

The Corporation holds short-term and long-term investments. The investments mature at various intervals during 2004 and 2005, the interest rates for these investments range from 2.18% to 8.125%.

AUDITORS' REPORT

To the Board of Directors,
Nova Scotia Power Finance Corporation

We have audited the statement of outstanding debt and defeasance assets of Nova Scotia Power Finance Corporation as at March 31, 2004 and the statement of debt cash flows and funding for the year then ended. This financial information is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, these statements present fairly, in all material respects, the outstanding debt and defeasance assets of the Corporation as at March 31, 2004 and the debt cash flows and funding for the year then ended in accordance with the basis of accounting disclosed in Note 2.

Deloitte & Touche LLP
Chartered Accountants

May 21, 2004

NOVA SCOTIA POWER FINANCE CORPORATION

Statement of Outstanding Debt and Defeasance Assets
as at March 31, 2004

	2004	2003 (in thousands)
DEBT (Schedule 1)		
Par Value	$ 1,093,150	$ 1,140,790
Adjustment to market value	563,564	534,358
	1,656,714	1,675,148
Principal and coupon payments reacquired	(1,113,884)	(1,124,007)
Outstanding debt at market value	$ 542,830	$ 551,141
DEFEASANCE ASSETS (Note 3)		
Cash	$ 10,170	$ 10,467
Government and government guaranteed securities	592,525	592,253
Defeasance assets at market value	$ 602,695	$ 602,720

Statement of Debt Cash Flows and Funding
year ended March 31, 2004

	2004	2003 (in thousands)
Debt payments		
Interest	$ (55,606)	$ (58,870)
Funding from investment revenues and maturities	55,497	55,536
Effect of exchange movements on U.S. dollar cash balances	(170)	(168)
Change in cash balance for the year	(297)	(3,502)
Cash, beginning of year	10,467	13,969
Cash, end of year	$ 10,170	$ 10,467

NOVA SCOTIA POWER FINANCE CORPORATION
Notes to the Financial Information
March 31, 2004

1. REORGANIZATION AND PRIVATIZATION

In 1992, the Province of Nova Scotia (the "Province") passed legislation to facilitate the reorganization and privatization of the business of Nova Scotia Power Corporation ("NSPC"). In effecting this, pursuant to an Asset Transfer Agreement and a Debt Restructuring Agreement effective August 10, 1992, NSPC transferred all of its existing assets, liabilities and equity, except for long-term debt and related sinking funds, to Nova Scotia Power Inc. ("NSPI") in exchange for:

a) matching notes receivable equivalent to outstanding long-term debt, and matching notes payable equivalent to sinking fund assets; and

b) 20,134,666 fully paid common shares of NSPI issued to the Province, which were subsequently sold on August 12, 1992 by the Province as a secondary offering.

Subsequent to the reorganization and privatization, the former business activities of NSPC continued under NSPI. NSPC changed its name to Nova Scotia Power Finance Corporation ("NSPFC") which continued to hold the long-term debt and sinking fund assets and the matching notes receivables and notes payable.

On reorganization, NSPI and NSPFC committed, subject to certain conditions, to effect defeasance of NSPFC debt by December 31, 1998. Defeasance required qualifying assets to be set aside to be used solely for satisfying scheduled future payments of principal and interest of the outstanding debt. Defeasance of NSPFC's debt was achieved by December 31, 1998 and the matching notes receivable and notes payable of NSPI were exchanged for the portfolio of defeasance assets. The matching notes continue to be pledged by NSPI as collateral security for a Defeasance Indemnity. NSPI is responsible for managing the portfolio of defeasance assets and is obligated to match its cash inflows with the principal and interest streams of the related defeased debt. NSPI is obligated to indemnify NSPFC against all expense, cost, damage, etc. which NSPFC may suffer or incur as a consequence of a Defeasance Portfolio Deficiency as difined in the Debt Restructuring Agreement.

2. BASIS OF PRESENTATION

Debt and defeasancce assets are reported at estimated market values.

3. DEFEASANCE ASSETS

The portfolio of assets held for the payment of principal and interest amounts on the NSPFC debt are held by The Royal Trust Company. All assets are held in securities issued or guaranteed by the Federal or Provincial Governments.

Included in defeasance assets is $44 million denominated in U.S. dollars ($57 million Canadian).

The estimated cash inflows generated from investment income on and maturities of the assets held exceed the estimated cash outflows on debt interest and principal repayments by approximately $200,000.

4. GENERAL AND ADMINISTRATIVE EXPENSES

Under the terms of the privatization agreement, NSPI is responsible for the payment of all reasonable operating costs of NSPFC. During the year, $148,106 (2003 - $161,025) of such costs were paid by NSPI.

SCHEDULE 1

NOVA SCOTIA POWER FINANCE CORPORATION

Outstanding Debt
as at March 31, 2004

(in thousands)

Series	Date of Maturity	Maturity Date	Rate	Par Value	Market Value	Principal And Coupon Payments Reacquired	Outstanding Balance at Market Value
Debentures							
AH	November 15, 2012	November 15, 2012	10.875%	$ 150,000	$ 215,913		
AJ	April 27, 2014	April 27, 2014	11.250%	200,000	303,448		
AK	January 10, 2020	January 10, 2020	10.250%	150,000	229,317		
AM	February 26, 2031	February 26, 2031	11.000%	200,000	349,468		
AN	April 1, 2021 (US) (1)	April 1, 2021	9.400%	393,150	558,568		
Total				$ 1,093,150	$ 1,656,714	$ (1,113,884)	$ 542,830

(1) Amounts payable in foreign currencies are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements ($300,000,000 US$ converted @ 1.3105 as of March 31, 2004).

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Natural Resources

I have audited the statement of financial position of the Nova Scotia Primary Forest Products Marketing Board as at March 31, 2004 and the statements of revenues, expenses and fund balance, and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2004 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 21, 2004

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Statement of Financial Position
as at March 31, 2004

ASSETS

		2004		2003
Current				
Cash	$	200	$	200
Due from processors		29,882		49,641
Due from Province of Nova Scotia		639,516		608,299
	$	669,598	$	658,140

LIABILITIES AND FUND BALANCE

		2004		2003
Current				
Accounts payable	$	7,822	$	1,875
Due to bargaining agents		10,718		29,990
		18,540		31,865
Fund Balance		651,058		626,275
	$	669,598	$	658,140

Commitment (Note 3)

The accompanying notes are an integral part of these statements

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Statement of Revenues, Expenses and Fund Balance
for the year ended March 31, 2004

	2004		2003
	Budget	Actual	Actual
Revenues			
Charges against suppliers (Note 1)		$ 439,947	$ 434,022
Less: Bargaining agents funding		238,997	234,079
Charges for funding of Board operations	$ 193,000	200,950	199,943
Interest on fund balance	23,500	27,396	25,231
Miscellaneous	---	---	2,026
	216,500	228,346	227,200
Expenses			
Board member per diems	26,000	35,950	26,225
Consulting fees	---	29,400	---
Equipment and maintenance (Note 2)	1,000	685	---
Grants	125,000	12,013	73,013
Lease payments - equipment	1,600	1,594	1,533
Lease payments - office space	22,600	22,202	22,636
Legal fees	3,750	4,680	880
Other expenses	2,925	4,178	2,339
Salaries	87,000	51,022	86,484
Supplies and services	6,850	7,668	5,472
Travel	30,000	34,171	22,675
	306,725	203,563	241,257
Excess (Deficiency) of revenues over expenses	$ (90,225)	24,783	(14,057)
Fund balance, beginning of year		626,275	640,332
Fund balance, end of year		$ 651,058	$ 626,275

The accompanying notes are an integral part of these statements

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Statement of Changes in Financial Position
for the year ended March 31, 2004

	2004	2003
Cash derived from operations		
Excess (Deficiency) of revenues over expenses	$ 24,783	$ (14,057)
Changes in non-cash operating working capital items		
Due from processors	19,759	(16,728)
Due from Province of Nova Scotia	(31,217)	18,400
Accounts payable	5,947	375
Due to bargaining agents	(19,272)	12,010
	(24,783)	14,057
Increase (decrease) in cash	---	---
Cash, beginning of year	200	200
Cash, end of year	$ 200	$ 200

The accompanying notes are an integral part of these statements

Notes to Financial Statements
March 31, 2004

1. Authority

The Nova Scotia Primary Forest Products Marketing Board was established by the Primary Forest Products Marketing Act.

The objectives of the Board are: to provide for the organization and funding of bargaining agents, to provide for the registration of bargaining agents, to provide for the resolution of bargaining disputes, to facilitate and support the continued development of the forest resources held by private woodlot owners, and to enable private woodlot owners to have a fair share of the available market and receive a reasonable return for the sale of primary forest products.

The Board imposes separate charges against producers of primary forest products for the purpose of providing funding of bargaining agents, and for funding the operations of the Board.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In common with many small, not-for-profit organizations, the Board charges furniture and equipment acquisitions and leasehold improvements to expenses in the year of purchase.

3. Office Lease Commitment

The Board remits monthly payments of $1,837 to the Department of Transportation and Public Works for the rental of office space procured by the Department on the Board's behalf. The current lease expires November 30, 2004.

4. Pensions

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Board is not responsible for any unfunded liability.

AUDITORS' REPORT

To the Board of Trustees of Nova Scotia Public Service Long Term Disability Plan
Trust Fund

We have audited the statement of net assets available for benefits and accrued disability benefits net of deficiency of the Nova Scotia Public Service Long Term Disability Plan Trust Fund as at December 31, 2003 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the fund's management. Our responsibility is to express a opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued disability benefits net of deficiency of the fund as at December 31, 2003 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

LYLE TILLEY DAVIDSON
Chartered Accountants

Halifax, Nova Scotia
May 3, 2004

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND

Statement of Net Assets Available for Benefits and Accrued Disability Benefits Net of Deficiency
as at December 31, 2003

	2003	2002
NET ASSETS AVAILABLE FOR BENEFITS		
ASSETS		
Cash	$ 6,285,739	$ 2,179,872
Contributions receivable		
Employee's	931,997	905,012
Employer's	931,997	905,012
Accounts receivable		
EI Premium rebates	72,827	44,829
CPP recoveries	133,097	156,993
WCB recoveries	---	15,072
Subrogation recoveries	---	19,000
Investments	25,927,867	23,354,764
Equipment and furnishings	18,588	20,997
	34,302,112	27,601,551
LIABILITIES		
Accounts payable	1,527,733	1,608,530
NET ASSETS AVAILABLE FOR BENEFITS	$ 32,774,379	$ 25,993,021

ACCRUED DISABILITY BENEFITS NET OF DEFICIENCY

	2003	2002
ACCRUED DISABILITY BENEFITS	$ 68,048,379	$ 75,000,000
DEFICIENCY	(35,274,000)	(49,006,979)
ACCRUED DISABILITY BENEFITS NET OF DEFICIENCY	$ 32,774,379	$ 25,993,021

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND

Statement of Changes in Net Assets Available for Benefits
for the year ended December 31, 2003

	2003	2002
INCREASE (DECREASE) IN ASSETS		
Contributions	$ 17,651,122	$ 15,094,926
EI Premium rebates	984,687	925,995
Investment income (loss)	2,745,865	(2,435,965)
	21,381,674	13,584,956
INCREASE (DECREASE) IN ASSETS		
Disability benefits paid	13,708,691	13,465,181
CPP recoveries	(422,636)	(463,717)
Subrogation recoveries	(48,203)	(119,005)
WCB recoveries	(297,318)	(205,994)
Actuarial	63,931	51,533
Audit and accounting	20,377	21,108
Investment custodian	29,453	28,404
Investment manager	60,919	58,414
Legal - subrogation	21,692	43,485
Legal - other	31,168	24,661
Office and sundry (note 7)	468,298	444,103
Plan administration	643,923	545,871
Rehabilitation program	320,022	371,499
	14,600,317	14,265,543
INCREASE (DECREASE) IN NET ASSETS	6,781,357	(680,587)
NET ASSETS AVAILABLE FOR BENEFITS - BEGINNING OF YEAR	25,993,022	26,673,608
NET ASSETS AVAILABLE FOR BENEFITS - END OF YEAR	$ 32,774,379	$ 25,993,021

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND

Notes to Financial Statements
for the year ended December 31, 2003

1. AUTHORITY AND ACTIVITIES

The fund was established to provide a long-term disability plan for the employees of the Province of Nova Scotia and such other employee groups as approved by the trustees.

2. EFFECTIVE DATES

The plan was established by Order in Council dated September 26, 1985.

The trust was established by Agreement and Declaration of Trust dated December 23, 1985.

Claimants' benefits became effective May 1, 1985 for employees who, at that time, met prescribed eligibility requirements.

3. ACCOUNTING POLICIES

Financial instruments

The carrying value of current assets and current liabilities appроimate fair value due to the short-term nature of these statements. The carrying value of all other financial instruments approximate fair value.

Disability claim

Disability claims are recorded only for the qualifying disability periods to the date of the financial statements and no liabilities are recorded for future claim periods.

Marketable securities

Marketable securities are stated at market value.

Amortization of equipment and furnishings

The fund records amortization of the equipment and furnishings at the annual rate of 30% using the declining balance method. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the fund's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

4. INVESTMENTS

Investments include marketable securities, accrued interest thereon and the custodian's account balance. The investments as at December 31, 2003 are recorded at market value of $25,927,867 (cost - $24,819,646) and at December 31, 2002 were recorded at market value of $23,354,764 (cost - $23,927,041).

5. EQUIPMENT AND FURNISHINGS

	2003			2002
	Cost	Accumulated amortization	Net	Net
Computer and office equipment	$ 50,687	$ 34,750	$ 15,937	$ 17,754
Software	5,642	2,991	2,651	3,243
	$ 56,329	$ 37,741	$ 18,588	$ 20,997

6. CONTRIBUTIONS

	2003	2002
Atlantic Provinces Special Education Authority Centres	$ 72,892	$ 59,611
Capital District Health Authority	3,496,111	3,192,140
Correctional Officers	274,949	246,532
Department of Transportation	846,626	748,551
District Health Authority 3	109,917	86,142
District Health Authorities 4, 5 and 6.	143,023	105,279
District Health Authorities 7 and 8.	205,477	174,136
Nova Scotia Community College	850,032	697,830
Nova Scotia Government Employees Union	75,730	66,204
Nova Scotia Legal Aid	243,779	200,015
Nova Scotia Utility and Review Board	42,958	34,094
Other.	37,033	34,605
Province of Nova Scotia Employees.	11,252,595	9,449,787
	$ 17,651,122	$ 15,094,926

7. OFFICE AND SUNDRY

	2003	2002
Amortization.	$ 6,986	8,416
Trustee expenses	27,640	9,089
Equipment rentals	1,257	1,184
Miscellaneous.	52,832	65,374
Rent and taxes.	42,537	64,096
Salaries and benefits	281,743	231,373
Supplies and postage.	31,051	26,904
Telephone.	8,626	6,325
Professional development.	13,057	29,364
Vehicle allowance and travel	2,569	1,978
	$ 468,298	$ 444,103

8. ACTUARIAL VALUATION

The last actuarial valuation was completed as at December 31, 2003, which projected the present value of the fund liabilities for reported and estimated incurred but unreported claims to be $68,048,379. The actuarial value of the fund assets as at December 31, 2003 was $32,774,379, leaving an unfunded actuarial liability of $35,274,000.

9. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the 2003 financial statement presentation.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the consolidated statement of net assets available for benefits and accrued pension benefits net of deficiency of the Nova Scotia Public Service Superannuation Fund as at March 31, 2004 and the consolidated statement of changes of net assets available for benefits for the year then ended. These consolidated financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits net of deficiency of the Fund as at March 31, 2004 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 18, 2004

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

Consolidated Statement of Net Assets Available for Benefits and Accrued Pension Benefits Net of Deficiency as at March 31, 2004

	2004	2003
	(in thousands)	
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Investments (Note 3)	$ 3,049,621	$ 2,518,904
Contributions receivable		
Employees'	2,785	2,221
Employers'	2,975	2,772
Accrued income	24,001	24,075
Net investment transactions outstanding.	---	23,475
Prepayment	97	---
Cash	1,225	598
Total Assets	3,080,704	2,572,045
Liabilities		
Accounts payable	28,113	16,515
Net investment transactions outstanding.	6,835	---
Total liabilities	34,948	16,515
Net assets available for benefits	3,045,756	2,555,530
Actuarial asset value adjustment (Note 4)	600	749
Actuarial value of net assets available for benefits	$ 3,046,356	$ 2,556,279
ACCRUED PENSION BENEFITS NET OF DEFICIENCY		
Accrued pension benefits	$ 3,522,000	$ 3,318,275
Deficiency (Note 5)	(475,644)	(761,996)
Accrued pension benefits net of deficiency.	$ 3,046,356	$ 2,556,279

Subsequent events (note 8)

See accompanying notes to consolidated financial statements.

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

Consolidated Statement of Changes in Net Assets Available for Benefits
for the year ended March 31, 2004

	2004	2003
		(in thousands)
Increase in Assets		
Investment activities (Note 3)	$ 593,614	$ —
Contributions		
Employers' - matched	37,401	36,938
Employees' - matched	37,401	36,938
Employees' - unmatched	5,195	2,045
Interest on the purchase of prior years' service	1,056	1,003
Transfers from other pension plans	2,912	4,068
	83,965	80,992
Total increase in assets	677,579	80,992
Decrease In Assets		
Investment activities (Note 3)	—	304,838
Benefits paid	155,366	149,127
Operating expenses (Note 6)	7,591	7,101
Refund of contributions and interest and transfers to other pension plans	24,396	11,437
Total decrease in assets	187,353	472,503
Increase (Decrease) in Net Assets	490,226	(391,511)
Net Assets Available for Benefits at Beginning of Year	2,555,530	2,947,041
Net Assets Available for Benefits at End of Year	$ 3,045,756	$ 2,555,530

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements
March 31, 2004

1. Authority and Description of Plan

The Public Service Superannuation Fund (the "Fund") was established by the Public Service Superannuation Act (the "Act"). It is the funding vehicle for the Public Service Superannuation Plan (the "Plan"), a pension plan which covers employees of the Province and certain other public sector organizations. The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas are also contained in the Act and in the Regulations made under the Act.

The following description is a summary only. For more complete information, reference should be made to the Plan Agreements.

Employee and employer contributions and investment earnings are credited to the Fund. Pensions, payments to terminating employees and administration expenses are charged to the Fund. The Minister of Finance is trustee of the Fund which is invested in federal, provincial, municipal and corporate securities which qualify as eligible investments under the Provincial Finance Act.

The Plan is funded by employee and matching employer contributions of 5.4% of salary up to the Year's Maximum Pensionable Earnings ("YMPE") per the Canada Pension Plan ("CPP") and 7% of salary above the YMPE. The basic pension formula is 2% for each year of pensionable service times the number of years of pensionable service. Pensions are integrated with CPP benefits at age 65. Pensions in pay and deferred pensions are increased on January 1 of each year at a rate equal to the increase in the Consumer Price Index for Canada to a maximum of 6%.

Plan members are eligible for a pension upon reaching any of the following criteria:

< age 50 with an age plus pensionable service factor of 80 - "Rule of 80" ;
< age 55 with two years of service (reduced pension);
< age 60 with two years of service;
< age 65

Certain pension payments are attributable to previous early retirement programs and other unfunded benefits. They are charged to the Consolidated Fund of the Province and participating employers and are not paid from the Fund. These payments amounted to $16.3 million for the year ended March 31, 2004 (2003 - $15.9 million).

2. Summary of Significant Accounting Policies

(a) Basis of Presentation:

These consolidated financial statements are prepared on the going-concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. In the event there are insufficient funds within the Fund to make all payments required by the Act, the Province of Nova Scotia guarantees cash flow assistance with respect to the pension benefits in pay. These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Consolidation:

The Fund holds certain real estate investments through wholly-owned subsidiaries. The consolidated financial statements include the financial statements of the Plan and its subsidiaries.

(c) Foreign Currency Translation:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the trade dates of the transactions. The market value of foreign investments and cash balances held at year-end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in current period change in market value of investments.

(d) Investments:

(i) Investments are reported as of the trade date and are stated at market value as at year-end. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

(ii) The derivative contracts held by the Fund at year-end are recorded at market value with the resulting gains or losses being recognized in the realized and unrealized gains or losses on investments.

(iii) Real estate is composed of income producing properties and real estate pooled funds. Unless recently acquired in the current fiscal year, properties are valued annually, by independent appraisers in accordance with generally accepted appraisal practices and procedures. This process utilizes discounted future cash flows. In estimating future cash flows certain assumptions are made with respect to future economic conditions and rates of return.

The fair value of any real estate which has been recently acquired in based on the purchase price.

(e) Investment Income/Loss:

Investment income/loss, which includes interest, dividends and operating income/loss from real estate, is recorded on the accrual basis. Also included are gains and losses that have been realized on disposal of investments, and the unrealized appreciation and depreciation in the fair value of investments.

(f) Non-investment Assets and Liabilities:

The fair value of contributions receivable, accrued income, prepayment, cash, accounts payable, net investment transactions outstanding, accounts payable and real estate payables approximate their carrying amounts due to their short-term nature.

(g) Actuarial Value of Net Assets Available for Benefits:

The Fund values assets using a technique known as "Actuarial Smoothing", whereby the actuarial asset values are adjusted to reflect the portion of investment gains or losses (relative to actuarial assumptions) not yet recognized for purposes of determining the net assets available for benefits. The adjustment is based on the difference between the market value of assets and what the market value would have been if the Fund had earned the assumed rate of return, and is amortized over the current year and the following two years. This adjustment is subject to the condition that the actuarial asset value will not be greater than the fair market value of investments.

(h) Contributions:

Basic contributions from employers and members due to the Plan as at the end of the year are recorded on an accrual basis. Service purchases that include but are not limited to leaves of absence and transfers from other pension plans are recorded when received.

(i) Benefits:

Benefit payments to retired members, commuted value payments and transfers to other pension plans are recorded in the period in which they are paid. Accrued benefits are recorded as part of accrued actuarial liabilities.

(j) Use of Estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

Certain vested members of the Plan, after termination of employment, elected to withdraw the commuted value of their pension benefit entitlements from the Fund. The basis for the commuted value calculation is defined in the Plan's Regulations. Due to a programming error, the commuted value calculation was not calculated in accordance with the Plan Regulations from 1994 to 1999 resulting in the underpayment of benefit entitlements to these members. As at March 31, 2004, the liability related to these entitlements is estimated at $9.8 million.

3. Investments and Derivatives

The investment objectives of the Plan are to provide long-term security of pension benefits to members and to minimize any increases in contributions required by members and the employers. A strategy of investing in assets of Canadian and foreign equities, bonds, debentures, mortgages and money market securities is aimed at achieving these objectives.

(a) Market value of investments and related income before allocating the effect of derivative contracts:

	As at March 31, 2004		For the Year	As at March 31, 2003		For the Year
	Asset	%	Income (Loss) *	Asset	%	Income (Loss) *
			(in thousands)			
Money market. .	$ 482,193	15.8	$ 9,372	$ 230,207	9.2	$ 5,396
Fixed income. . .	906,666	29.7	105,598	964,767	38.3	102,928
Equities						
- Canadian . . .	895,737	29.4	265,374	713,236	28.3	(127,643)
- US	457,792	15.0	103,638	402,586	16.0	(161,358)
- Other foreign	236,508	7.8	59,632	176,080	7.0	(88,362)
Real Estate						
- Canadian . . .	21,803	0.7	541	---	---	---
- Pooled fund .	49,325	1.6	2,424	36,001	1.4	1,140
Derivatives	(403)	---	46,992	(3,973)	(0.2)	(36,959)
Other	---	---	43	---	---	20
	$ 3,049,621	100.0	$ 593,614	$ 2,518,904	100.0	$ (304,838)

* Includes realized gains of $47.8 million ($42.1 million - 2003) and unrealized gains of $413.0 million (losses of $321.5 million - 2003).

(b) Derivative Contracts:

Derivatives are financial contracts, the value of which is 'derived' from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategy.

Money market-to-equity swaps have been used during the year to adjust the asset mix.

Bond futures are contractual agreements to buy or sell the financial instrument at the contracted date and price. Bond futures have been used to adjust asset mix during the year.

The Fund is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. In order to mitigate this risk, the Fund:

- deals only with highly rated counterparties with whom International Swap and Derivative Association agreements have been executed, normally major financial institutions with minimum credit standard of "A" rating, as supported by a recognized credit rating agency; and
- enters into derivatives only for the purposes of managing risk.

Credit risk represents the maximum amount that would be at risk as at the reporting date if the counterparties failed completely to perform under the contracts, and if the right of offset proved to be non-enforceable. Credit risk exposure on derivative financial instruments is represented by the receivable replacement cost of contracts with counterparties, less any prepayment collateral or margin received, as at the reporting date.

The following table provides details of these derivative contracts outstanding as at March 31, 2004.

Notional Principal	Original Term	Credit Rating of Counter-party	Equity Index	BA Index	Market Value
			(in thousands)		
$ 18,758	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	$ (106)
44,800	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	(1,373)
48,193	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	224
72,107	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	708
$ 183,858					$ (547)
US ($14,800)		Bond Futures			CDN $ 144
Total					$ (403)

Notional amounts of these derivative contracts represent the volume of outstanding transactions and serve as the basis upon which the return from and the market value of the contracts are determined.

Money market-to-equity swap contracts are denominated in Canadian dollars and are reset quarterly.

(c) Market value of investments and related income after allocating the effects of derivative contracts:

	As at March 31, 2004		For the Year	As at March 31, 2003		For the Year
	Asset	%	Income *	Asset	%	Income (Loss) *
	(in thousands)					
Money market. .	$ 298,296	9.8	$ 5,182	$ 72,278	2.9	$ 1,558
Fixed income. . .	906,666	29.7	105,226	964,767	38.3	102,928
Equities						
- Canadian . . .	1,079,231	35.4	316,928	867,192	34.4	(160,764)
- US	457,792	15.0	103,638	402,586	16.0	(161,358)
- Other foreign	236,508	7.8	59,632	176,080	7.0	(88,362)
Real Estate						
- Canadian . . .	21,803	0.7	541	---	---	---
- Pooled fund .	49,325	1.6	2,424	36,001	1.4	1,140
Other	---	---	43	---	---	20
	$ 3,049,621	100.0	$ 593,614	$ 2,518,904	100.0	$ (304,838)

* Includes realized gains of $47.8 million ($42.1 million - 2003) and unrealized gains of $413.0 million (losses of $321.5 million - 2003).

(d) Investment Risk Management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to foreign currency, interest rate volatility, market and credit risk. The Fund has set formal policies and procedures that establish an asset mix among equity, fixed income and real estate investments, require diversification of investments within categories, and set limits on the size of exposure to individual investments and counterparties. In addition, derivative financial instruments are used, where appropriate, to assist in the management of these risks.

(i) Interest rate risk:

Interest rate risk refers to the fact that the Plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the Plan's assets and cash flows related to the Plan's liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. To meet these liabilities the Plan has established an asset mix policy of approximately 60% equities, 33% fixed income securities and 7% real estate. Long-term equity returns have historically shown high correlation with changes in inflation and salary escalation, while fixed income securities are sensitive to changes in nominal interest rates.

	March 31,2004						March 31, 2003	
	Within 1 year	1 to 5 years	50 to 10 years	Over 10 years	Total	Average effective yield	Total	Average effective yield
			(in thousands)			%		%
Money market	$ 482,193	$ ---	$ ---	$ ---	$ 482,193	2.2	$ 230,207	3.3
Bonds and debentures	20,016	291,509	254,596	229,285	795,406	5.7	866,514	6.4
Real return bonds	---	---	---	111,260	111,260	3.6	98,253	4.0
Total	$ 502,209	$ 291,509	$ 254,596	$ 340,545	$ 1,388,859		$ 1,194,974	

The average effective yield reflects the estimated annual income of a security as a percentage of its year-end market value.

(ii) Market risk:

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Fund's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Guidelines, and to utilize derivative financial instruments, which are designed to mitigate the impact of market risk.

(iii) Credit risk:

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss.

The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher. In addition, the Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating.

(iv) Foreign currency risk:

Foreign currency exposure arises from the Plan's holding of equities denominated in foreign currency. From time to time some of this exposure will be hedged based on interest rates or other economic fundamentals.

The Plan's currency exposure from net investment assets as at March 31, 2004 is summarized in the following table.

Currency	**March 31, 2004**	**March 31, 2003**
	(in thousands)	
Canada	$ 2,370,116	$ 1,981,156
United States	489,631	430,825
Euro Zone	69,085	42,648
Japan	39,857	26,830
United Kingdom	39,169	37,169
Other	60,154	48,404
Total	$ 3,068,012	$ 2,567,032

4. Actuarial Asset Value Adjustment:

The actuarial asset value adjustment is comprised of the following:

	2004	**2003**
	(in thousands)	
Service buy-back receivable	$ 600	$ 749

(a) Unamortized Investment Gains and Losses:

The net assets available for benefits is subject to an actuarial asset value adjustment which moderates the effects of market volatility on investment value. The adjustment is based on the difference between the market value of assets and what the market value would have been if the Fund had earned the assumed rate of return, and is amortized over the current year and the following two years. The actuarial asset value adjustment reflects the portion of investment gains or losses (relative to actuarial assumptions) not yet recognized for purposes of determining the net assets available for benefits. This adjustment is subject to the condition that the actuarial asset value will not be greater than the fair market value of investments.

(b) Service buy-back receivable:

This receivable represents the present value of outstanding employee and employer contributions which are due as a result of service buy-backs.

5. Actuarial Valuation:

Actuarial valuations of the Fund are carried out annually and provide an estimate of the accrued pension benefits ("Fund liabilities") calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Morneau Sobeco, performed a valuation as at December 31, 2003 and issued their report in April 2004. The report indicated that the Plan had an unfunded liability of $492.8 million (December 31, 2003 - $587.0 million). A projection to March 31, 2004, applying the same assumptions, indicated an unfunded liability of $475.6 million (March 31, 2003 - $762.0 million).

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the member's projected five year average salary at the expected date of retirement. The actuaries have used the unit credit method of determining the current cost and actuarial liability. The major economic and demographic assumptions used in the last valuation are as follows:

	Valuation December 31, 2003	**Valuation December 31, 2002**
Inflation	3.0% per annum	3.0% per annum
Average Salary Increase	0.5% per annum real plus merit ranging from 0.0% to 2.5% based on 5 year age bands	0.5% per annum real plus merit ranging from 0.0% to 2.5% based on 5 year age bands
Real Rate of Return on Investment	4.25% per annum	4.25% per annum
Average Retirement Age	20% - age 55 or "Rule of 80" 80% - age 60 or 35 years service	20% - age 55 or "Rule of 80" 80% - age 60 or 35 years service
Mortality	1994 Group Annuity Mortality Table projected to 2000 using scale AA	1994 Group Annuity Mortality Table projected to 2000 using scale AA

There has been no change in major actuarial assumptions and methodology used for December 31, 2003 as compared to December 31, 2002.

6. **Operating Expenses:**

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses:

		2004	2003
		(in thousands)	
Plan Administration			
Professional services	$	170 $	171
Salaries		714	720
Supplies and services		333	416
Travel		10	7
Other		79	84
	$	1,306 $	1,398
Investment Expenses			
Investment management fees	$	5,782 $	5,185
Professional services		41	29
Salaries		318	356
Supplies and services		107	72
Travel		13	22
Other		24	39
		6,285	5,703
Total Operating Expenses	$	7,591 $	7,101

7. **Related Party Transactions:**

Investments include debentures of the Province of Nova Scotia with total market value of $17.8 million (0.6% of total assets) as at March 31, 2004 ($41.8 million [1.6% of total assets] as at March 31, 2003).

8. **Subsequent Events:**

Plan Regulations were amended which increased member contribution rates by 1% effective June 1, 2004. Each member is required to contribute 6.4% (previously 5.4%) of salary up to the Year's Maximum Pensionable Earnings (YMPA) plus 8% (previously 7%) of salary in excess of YMPE. Contributions are matched by the Province.

9. **Comparative Figures:**

Certain comparative figures have been reclassified to conform with the current year presentation.

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the consolidated balance sheet of Nova Scotia Resources Limited as at October 21, 2003 and the consolidated statements of operations and deficit and cash flows for the period from January 1, 2003 to October 21, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 21, 2003 and the results of its operations and cash flows for the period from January 1, 2003 to Octrober 21, 2003 in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Halifax, Canada
November 24, 2003

NOVA SCOTIA RESOURCES LIMITED

Consolidated Balance Sheet
October 21, 2003, with comparative figures for December 31, 2002

ASSETS

	2003	2002 (in thousands)
Oil and gas properties (note 2)	$ —	$ 1,595
Cash and short-term investments	—	2
Receivables and other assets (note 3)	3	12,318
Income taxes receivable	—	954
	$ 3	$ 14,869

LIABILITIES and SHAREHOLDER'S EQUITY

	2003	2002
Provision for site restoration (note 4)	$ —	$ 11,832
Payables and accruals	—	824
Due to Province of Nova Scotia	—	422
	—	13,078
Shareholder's equity:		
Capital stock:		
Authorized: 40,000 common shares without par value		
Issued and outstanding: 3 common shares	1	1
Contributed surplus (note 5)	392,464	401,442
Deficit	(392,462)	(399,652)
	3	1,791
	$ 3	$ 14,869

See accompanying notes to financial statements.

NOVA SCOTIA RESOURCES LIMITED

Consolidated Statement of Operations and Deficit
Period from January 1, 2003 to October 21, 2003, with comparative figures for the year ended December 31, 2002

	2003	2002
		(in thousands)
Revenue:		
Oil and gas revenue	$ ---	$ 1,729
Royalties	---	163
	---	1,566
Government funding and sundry income	1,371	337
	1,371	1,903
Expenses:		
Production	92	748
General and administrative	274	424
Depreciation and depletion	(1,486)	448
	(1,120)	1,620
Earnings before financing cost, interest income and other	2,491	283
Interest income	(360)	(259)
Foreign exchange loss	---	8
Earnings before the undernoted	2,851	534
Gain (loss) on sale of oil and gas and other properties (note 2)	4,357	(106)
Income taxes	(18)	---
Net earnings	7,190	428
Deficit, beginning of period	(399,652)	(400,080)
Deficit, end of period	$ (392,462)	$ (399,652)

See accompanying notes to financial statements

NOVA SCOTIA RESOURCES LIMITED

Consolidated Statement of Cash Flows
Period from January 1, 2003 to October 21, 2003, with comparative figures for the year ended December 31, 2002

	2003	2002 (in thousands)
Cash derived from (applied to):		
Operating:		
Net earnings	$ 7,190	$ 428
Items not involving cash:		
Depreciation and depletion	(1,486)	448
Loss (gain) on sale of oil and gas and other properties	(4,357)	106
	1,347	982
Changes in non-cash operating working capital items:		
Receivables and other assets	12,315	(12,200)
Payables and accruals	(824)	(1,084)
Due to Province of Nova Scotia	(422)	(4,433)
Income taxes receivable	954	(72)
	13,370	(16,807)
Financing:		
Contributed surplus repaid to shareholder (note 5)	(8,978)	---
Investing:		
Expenditures on oil and gas properties	131	(154)
Decrease in provision for site restoration	(10,346)	---
Proceeds from disposal of oil and gas and other properties	5,821	3,337
	(4,394)	3,183
Decrease in cash	(2)	(13,624)
Cash and short-term investments, beginning of period	2	13,626
Cash and short-term investments, end of period	$ ---	$ 2

Supplemental cash flow information (note 6)

See accompanying notes to financial statements.

NOVA SCOTIA RESOURCES LIMITED

Notes to Consolidated Financial Statements
Period from January 1, 2003 to October 21, 2003

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements include the accounts of the Company and all of its subsidiaries. These financial statements are being prepared as at and for the period ended October 21, 2003 as a result of a change in control of the Company at that date.

(b) Oil and gas properties:

The Company accounts for oil and gas properties in accordance with the Canadian accounting guideline on full cost accounting.

Under this method, all costs associated with the acquisition, exploration and development of gas properties are capitalized in one cost centre. Depletion is calculated using the unit of production method based on gross proved reserves before royalties. A ceiling test is applied to ensure that the capitalized costs do not exceed the estimated future revenues, net of production, site restoration, administration and financing costs.

(c) Provision for site restoration:

The provision for future removal and site restoration costs for the Cohasset/ Panuke project is based on current estimates and has been fully charged against income as part of depletion expense.

(d) Measurement uncertainty:

The amounts recorded for depletion and site restoration are based on estimates of reserves and future costs. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of the Province of Nova Scotia of future periods could be material.

2. Oil and gas properties:

The Company has the following interest in oil and gas fields and other interests:

	Cost	**Accumulated depletion**	**2003 Net Book value**	**2002 Net Book value**
		(in thousands)		
SDL evaluations -Scotian Shelf.	$ ---	$ ---	$ ---	$ 1,595

During 2003, the Company sold its interest in the Scotian Shelf property resulting in a gain on disposition of $4,357.

3. **Receivables and other assets:**

	2003	2002
		(in thousands)
Accounts receivable, trade	$ —	$ 276
Prepaid expenses	—	131
Receivable - 3052155 NS Limited, wholly-owned Crown Corporation of the Province of Nova Scotia	—	11,901
Other assets	3	10
	$ 3	$ 12,318

4. **Provision for site restoration - measurement uncertainty:**

The provision for site restoration as at December 31, is comprised as follows:

	2003	2002
		(in thousands)
Cohasset/Panuke Project	$ —	$ 11,832

The Cohasset/Panuke Project ceased producing oil in 1999.

The carrying value of the provision for remaining site restoration costs for the Cohasset/Panuke Project is based on abandonment studies conducted by independent third parties. The actual abandonment costs will be determined when the extent of the site restoration is approved by the Canada - Nova Scotia Offshore Petroleum Board. The Company's share of the cost of site restoration, based on the remediation option currently being considered has been estimated to range between $9 million and $13 million. The joint venture partner continues to evaluate abandonment options which may reduce or defer the restoration liability.

As evidence of financial responsibility regarding the abandonment of the Cohasset/Panuke Project, the Company has issued a demand promissory note to the Canada-Nova Scotia Offshore Petroleum Board in the amount of $17.5 million. This note is guaranteed by the Province of Nova Scotia.

The provision, together with the related promissory note, has been transferred to the Province of Nova Scotia therefore resulting in a reduction of contributed surplus.

5. **Contributed surplus:**

On November 17, 2000, the Province of Nova Scotia (the shareholder), by Order in Council, forgave all of the Company's outstanding debt owed to the Province of Nova Scotia. This amount, less return of surplus funds, was recorded as contributed surplus.

During 2001, contributed surplus of $394,958,000 was returned to the shareholder.

During 2003, in anticipation of the sale of the Company many of monetary items together with the obligation for site restoration for the Cohasset/Panuke project amounting to $8,978,000 were transferred to the Province of Nova Scotia as a return of capital.

6. **Supplemental cash flow information:**

		2003		2002
		(in thousands of dollars)		
Cash paid for:				
Interest	$	30	$	3
Cash received:				
Interest		321		262
Income taxes		35		---

7. **Financial instruments - fair values:**

The fair value of the Company's receivables and other assets, cash and short-term investments and payables and accruals approximate their carrying amounts due to the relatively short periods to maturity of these instruments.

8. **Income taxes:**

As a Crown corporation, the Company is not taxable under the provisions of the Income Tax Act of Canada.

The Company's oil and gas operations are conducted through a subsidiary, Nova Scotia Resources (Ventures) Limited. The subsidiary is a taxable corporation and has approximately $113 million (2002 - $135 million) of deductions available to reduce future taxable income of which $19.6 million will expire upon completion of the sale of the Company. The Company also has approximately $8.7 million (2002 - $9 million) of federal tax credits available to reduce future income taxes payable. The tax benefit related to the deductions and credits has not been recognized in these financial statements.

AUDITOR'S REPORT

To the Chairperson and Members of the
Nova Scotia Talent Trust

I have examined the consolidated balance sheet of the Nova Scotia Talent Trust as at March 31, 2004 and the consoldiated statement of revenue, expenses and fund balances for the year then ended. These financial statements are the responsibility of the Trust's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many similar organizations, the Trust derives revenue from fund raising activities and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of this revenue was limited to the amounts recorded in the records of the Trust and I was not able to determine whether any adjustments might be necessary to fund raising and donation revenue, excess (deficiency) of revenue over expenses, assets and Trust equity.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of the fund raising and donation revenue referred to in the preceding paragraph, these financial statements present fairly in all material respects, the financial position of the Trust as at March 31, 2004 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 21, 2004

NOVA SCOTIA TALENT TRUST

Consolidated Balance Sheet
as at March 31, 2004

		2004		2003
ASSETS				
Current				
Cash	$	985	$	3,964
Investments (Note 2)		40,662		49,856
Donation receivable (Note 3)		7,000		---
Prepaid expenses		100		3,877
Total Assets	$	48,747	$	57,697
LIABILITIES				
Current				
Accounts payable	$	1,465	$	430
Deferred revenue		---		450
		1,465		880
FUND BALANCE				
Fund balance				
Unappropriated (Schedule 1)		7,922		7,263
Appropriated (Schedule 2)		39,360		49,554
		47,282		56,817
Total Liabilities and Fund Balance	$	48,747	$	57,697

Consolidated Statement of Revenue, Expenses and Fund Balance
for the Year Ended March 31, 2004

		2004		2003
Revenue				
Grant - Province of Nova Scotia	$	50,000	$	50,000
Gala income		10,470		---
Fund raising activities (donations)		8,900		7,760
Interest income		825		876
		70,195		58,636
Expenses				
Talent Trust grants		52,800		52,750
Gala costs		23,949		---
Administration expenses (Note 4)		2,981		3,423
		79,730		56,173
Excess (deficiency) of revenue over expenses		(9,535)		2,463
Fund Balance, beginning of period		56,817		54,354
Fund Balance, end of period	$	47,282	$	56,817

NOVA SCOTIA TALENT TRUST

Schedule 1

Operating Fund Balance Sheet
as at March 31, 2004

		2004		2003
ASSETS				
Current				
Cash	$	985	$	3,964
Prepaid expenses		100		3,877
Due from Investment Fund		2,302		302
		3,387		8,143
Other				
Due from Investment Fund		6,000		---
Total Assets	$	9,387	$	8,143
LIABILITIES				
Current				
Accounts payable	$	1,465	$	430
Deferred revenue		---		450
Total Liabilities		1,465		880
FUND BALANCE				
Fund balance - unappropriated (Schedule 3)		7,922		7,263
Total Liabilities and Fund Balance	$	9,387	$	8,143

NOVA SCOTIA TALENT TRUST

Schedule 2

Investment Fund Balance Sheet
as at March 31, 2004

		2004		2003
ASSETS				
Current				
Short-term investments (Note 2)	$	40,662	$	49,856
Donation receivable		7,000		---
Total Assets	$	47,662	$	49,856
LIABILITIES				
Current				
Due to Operating Fund	$	2,302	$	302
Long-Term				
Due to Operating Fund (Note 5)		6,000		---
		8,302		302
FUND BALANCE				
Fund balance - appropriated (Schedule 4)		39,360		49,554
Total Liabilities and Fund Balances	$	47,662	$	49,856

NOVA SCOTIA TALENT TRUST

Schedule 3

Operating Fund
Statement of Revenues, Expenses and Fund Balance
for the Year Ended March 31, 2004

	2004	2003
Revenue		
Grant - Province of Nova Scotia	$ 50,000	$ 50,000
Gala income	10,470	---
Fund raising activities (donations)	1,900	7,760
Interest income	19	28
	62,389	57,788
Expenses		
Talent Trust grants	52,800	52,750
Gala costs.	23,949	---
Administration expenses (Note 4)	2,981	3,423
	79,730	56,173
Excess (deficiency) of revenue over expenses	(17,341)	1,615
Fund Balance, beginning of period	7,263	5,648
	(10,078)	7,263
Transfers from Investment Fund (Note 5)	18,000	---
Fund Balance, end of period	$ 7,922	$ 7,263

Schedule 4

Investment Fund
Statement of Revenue, Expenses and Fund Balance
for the Year Ended March 31, 2004

	2004	2003
Revenue		
Donations	$ 7,000	$ ---
Interest income	806	848
	7,806	848
Expenses	---	---
Excess of revenue over expenses	7,806	848
Fund Balance, beginning of period	49,554	48,706
	57,360	49,554
Transfers to Operating Fund (Note 5)	(18,000)	---
Fund Balance, end of period	$ 39,360	$ 49,554

NOVA SCOTIA TALENT TRUST

Notes to Financial Statements
March 31, 2004

1. Authority

The Nova Scotia Talent Trust was established pursuant to the provisions of the Nova Scotia Companies Act and is a registered charitable organization. The purpose of the Trust is to assist in the education and advancement of Nova Scotians in the arts.

2. Investments

Short-term investments are recorded at the lower of cost and market value. Investments, consist of three Royal Bank Mutual Funds - Royal Canadian Money Market, Royal Balanced Fund and Royal Canadian T-Bill Fund. The market value of these investments as of March 31, 2004 was $41,255.

3. Donation Receivable

Nova Scotia Talent Trust was named Portia White protege for 2003. An associated prize of $7,000 was receivable at March 31, 2004.

4. Administrative Expenses

These financial statements do not reflect administrative expenses incurred by the Nova Scotia Department of Tourism, Culture and Heritage on behalf of the Trust.

5. Interfund Transfers

Transfers from the Investment Fund into the Operating Fund consists of two amounts: (1) $11,000 to defray gala expenses for the year ended March 31, 2004 and (2) $7,000 to fund the Charlotte Wilson Hammond Visual Arts Nova Scotia Award over the seven-year period commencing April 1, 2004.

6. Statement of Cash Flow

A Statement of Cash Flow is not provided as disclosure in the balance sheet and statement of revenue, expenses and fund balance and supporting schedules is considered adequate.

7. Economic Dependence

Nova Scotia Talent Trust is economically dependent upon the Province of Nova Scotia through the Department of Tourism, Culture and Heritage. The Department provides the Trust with grants which account for 70% of it's revenue. These grants are needed to cover the Trust's annual talent trust grant disbursements.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the consolidated statement of net assets available for benefits and accrued pension benefits net of deficiency of the Nova Scotia Teachers' Pension Fund as at December 31, 2003 and the consolidated statement of changes in net assets available for benefits for the year then ended. These consolidated financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits net of deficiency of the fund as at December 31, 2003 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
April 8, 2004

NOVA SCOTIA TEACHERS' PENSION FUND

Consolidated Statement of Net Assets Available for Benefits and Accrued Pension Benefits Net of Deficiency as at December 31, 2003

		2003	2002
		(in thousands)	
NET ASSETS AVAILABLE FOR BENEFITS			
Assets			
Investments (Note 4)	$	3,661,083 $	3,230,736
Receivable from the Province of Nova Scotia (Note 1)		59,178	84,376
Contributions receivable			
Employees'		1,246	1,564
Employers'		4,789	4,137
Net investment transactions outstanding		---	30,095
Accrued income		22,088	20,956
Prepayment		440	---
Cash		974	1,092
Total assets		3,749,798	3,372,956
Liabilities			
Net investment transactions outstanding		7,061	---
Accounts payable		22,928	22,244
Total liabilities		29,989	22,244
Net assets available for benefits		3,719,809	3,350,712
Actuarial asset value adjustment (Note 5)		---	14,043
Actuarial value of net assets available for benefits	$	3,719,809 $	3,364,755
ACCRUED PENSION BENEFITS NET OF DEFICIENCY			
Accrued pension benefits (Note 6)	$	4,591,045 $	4,380,224
Deficiency (Note 6)		(871,236)	(1,015,469)
Accrued pension benefits net of deficiency	$	3,719,809 $	3,364,755

See accompanying notes to consolidated financial statements.

NOVA SCOTIA TEACHERS' PENSION FUND

Consolidated Statement of Changes in Net Assets Available for Benefits
for year ended December 31, 2003

	2003	2002
	(in thousands)	
Increase In Assets		
Investment activities (Note 4) . . . . $	468,255 $	---
Interest - Receivable from Province of Nova Scotia	5,544	8,787
	473,799	8,787
Contributions		
Employers' - matched	53,765	50,437
Employees' - matched	53,765	50,437
Employers' - unmatched - Province	15,977	18,058
Employees' - unmatched	1,598	1,934
Transfers from other pension plans	1,160	1,723
	126,265	122,589
Total increase in assets	600,064	131,376
Decrease In Assets		
Investment activities (Note 4).	---	162,120
Benefits paid	219,795	207,158
Operating expenses (Note 7)	7,890	7,877
Refund of contributions and interest and transfers to other pension plans	3,282	2,227
Total decrease in assets	230,967	379,382
Increase (Decrease) in Net Assets	369,097	(248,006)
Net Assets Available for Benefits at Beginning of Year	3,350,712	3,598,718
Net Assets Available for Benefits at End of Year . . . . $	3,719,809 $	3,350,712

See accompanying notes to consolidated financial statements.

NOVA SCOTIA TEACHERS' PENSION FUND

Notes to Consolidated Financial Statements
December 31, 2003

1. Authority and Description of Plan

The Teachers' Pension Fund (the "Fund") was established by the Teachers' Pension Act (the "Act"). It is the funding vehicle for the Teachers' Pension Plan (the "Plan"), a pension plan which covers public school and community college teachers. The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas are also contained in the Act and in the Regulations made under the Act.

The following description is a summary only. For more complete information, reference should be made to the Plan Agreements.

Employee and employer contributions and investment earnings are credited to the Fund. Pensions, payments to terminating employees and administration expenses are charged to the Fund. The Minister of Finance is trustee of the Fund which is invested in federal, provincial, municipal and corporate securities which qualify as eligible investments under the Provincial Finance Act.

The Plan is funded by employee and matching employer contributions of 8.3% of salary up to the Year's Maximum Pensionable Earnings ("YMPE") per the Canada Pension Plan ("CPP") and 9.9 % of salary above the YMPE. The basic pension formula is 2% for each year of pensionable service times the number of years of pensionable service. Pensions are integrated with CPP benefits at age 65. Pensions in pay are increased on January 1 of each year at a rate equal to the increase in the Consumer Price Index for Canada less 1%, to a maximum of 6%.

Plan members are eligible for a pension upon reaching any of the following criteria:
< 35 years of service;
< age 50 with 30 years of service (reduced pension);
< age 55 with an age plus pensionable service factor of 85 - "Rule of 85";
< age 55 with two years of service (reduced pension);
< age 60 with 10 years of service;
< age 65 with two years of service.

On July 22, 1994 the Governor in Council authorized an early retirement program (ERP) for Plan members. Each employing school board was required to pay into the Plan an amount in respect of each eligible teacher in the employ of the school board who retired in accordance with these regulations. This recievable is repayable over 8 years and bears interest at 8%. At December 31, 2003 the balance outstanding was $59.2 million (December 31, 2002 - $84.4 million). Order-in-Council 2002-181 dated April 26, 2002 transferred responsibility for making these payments from the school boards to the Province.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These consolidated financial statements are prepared on a going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. In the event there are insufficient funds within the Fund to make all payments required by the Act, the Province of Nova Scotia guarantees cash flow assistance with respect to the pension benifits in pay. These consolidated finacial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Consolidation

The Fund holds certain real estate investments through wholly-owned subsidiaries. The consolidated financial statements include the financial statements of the Plan and its subsidiaries.

(c) Foreign Currency Translation

Transactions denominated in foeign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. The market value of foreign investments and cash balances held at year-end are translated at the rates in effect at the year-end date. The resulting gain or loss from changes in these rates is included in current period change in market value of investments.

(d) Investments

(i) Investments are reported as of the trade date and are stated at market value as at year-end. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

(ii) The derivative contracts held by the Fund are recorded at market value with the resulting gains or losses being recognized in the realized and unrealized gains or losses on investments.

(iii) Real estate is composed of income producing properties and real estate pooled funds. Unless recently acquired, properties are valued annually, by independent appraisers in accordance with generally accepted appraisal practices and procedures. This process utilizes discounted future cash flows. In estimating future cash flows certain assumptions are made with respect to future economic conditions and rates of return.

(e) Investment income/loss

Investment income/loss, which includes interest, dividends and operating income/loss from real estate, is recorded on the accrual basis. Also included are gains and losses that have been realized on disposal of investments and the unrealized appreciation and depreciation in the fair value of investments.

(f) Non-Investment Assets and Liabilities

The fair value of receivable from the Province of Nova Scotia, contributions receivable, accrued income, other receivables, cash, net investment transactions outstanding and accounts payable approximate their carrying amounts due to their short-term nature.

(g) Contributions

Basic contributions from employers and members due to the Plan as at the end of the year are recorded on an accrual basis. Service purchases that include but are not limited to leaves of absence and transfers from other pension plans are recorded when received.

(h) Benefits

Benefit payments to retired members, commuted value payments and transfers to other pension plans are recorded in the period in which they are paid. Accrued benefits are recorded as part of accrued actuarial liabilities.

(i) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

3. Agreement to Address Unfunded Liability

On November 25, 1993. the Act was amended to incorporate the terms of an agreement signed May 13, 1993 between the Nova Scotia Teachers' Union and the Province of Nova Scotia to address the unfunded liability in the Plan.

As part of this agreement the Province agreed to pay $300 million into the Fund. By July 18, 1997 the Province had paid the amount in full.

The Province also agreed to make payments over a ten year period equal to $10 million per year in 1993, increased by 7.5% per year. This commitment is set out in Schedule B of the Teachers' Pension Act (Note 5). The last payment under Schedule B was received in August 2003.

Under the terms of the agreement a review of the Plan's financial status was to be carried out in 2003. The Teachers' Pension Partners Board established a committee (2003 Review Committee) to undertake this review. The committee is continuing its deliberations and has yet to report to the Board.

4. Investments and Derivatives

The investment objectives of the Plan are to provide long-term security of pension benefits to members and to minimize any increases in contributions required by members and the employer. A strategy of investing in assets of Canadian and foreign equities, bonds, debentures, mortgages and money market securities is aimed at achieving these objectives.

(a) Market value of investments and related income before allocating the effects of derivative contracts.

	As at December 31, 2003		For the Year	As at December 31, 2002		For the Year
	Assets	%	Income *	Assets	%	Income (Loss) *
			(in thousands)			
Money market.	$ 536,195	14.7	$ 10,417	$ 276,780	8.6	$ 5,079
Fixed income. .	1,096,223	29.9	90,175	1,229,884	38.1	124,021
Equities						
- Canadian . .	1,115,246	30.5	242,494	898,299	27.8	(75,239)
- US	578,837	15.8	57,160	530,382	16.4	(120,005)
- Other foreign .	279,114	7.6	25,929	253,346	7.8	(63,321)
Real Estate						
- Canadian . .	9,356	0.3	301	---	---	---
- Pooled fund	37,537	1.0	2,468	35,409	1.1	465
Derivatives . . .	8,575	0.2	39,285	6,636	0.2	(33,146)
Other	---	---	26	---	---	26
	$ 3,661,083	100.0	$ 468,255	$ 3,230,736	100.0	$ (162,120)

* Includes realized losses of $6.6 million ($14.1 million - 2002) and unrealized losses of $327.6 million (unrealized losses of $231.8 million - 2002).

(b) Derivative contracts

Derivatives are financial contracts, the value of which is 'derived' from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategy.

Money market-to-equity swaps have been used during the year to adjust the asset mix.

Bond futures are contractual agreements to buy or sell the financial instrument at the contracted date and price. Bond futures have been used to adjust duration and risk profile during the year.

The Fund is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. In order to mitigate this risk, the Fund:

- deals only with highly rated counterparties, with whom International Swap and Derivative Association agreements have been executed, normally major financial institutions with minimum credit standard of "A" rating, as supported by a recognized credit rating agency; and

- enters into derivatives only for the purpose of managing risk.

Credit risk represents the maximum amount that would be at risk as at the reporting date if the counterparties failed completely to perform under the contracts, and if the right of offset proved to be non-enforceable. Credit risk exposure on derivative financial instruments is represented by the receivable replacement cost of contracts with counterparties, less any prepayment collateral or margin received, as at the reporting date.

The following table provides details of the derivative money market-to-equity swap contracts outstanding as at December 31, 2003.

(in thousands)

Notional Principal	Original Term	Credit Rating of Counter-party	Equity Index	BA Index	Market Value
$ 18,011	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	$ 715
37,244	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	1,614
56,554	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	2,485
80,257	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	3,479
$ 192,066					$ 8,293
US ($6,000)		Bond Futures			CDN $ 282
Total					$ 8,575

Notional amounts of these derivative contracts represent the volume of outstanding transactions and serve as the basis upon which the return from and the market value of the contracts are determined.

Money market-to-equity swap contracts are denominated in Canadian dollars and are reset quarterly.

(c) Market value of investments and related income after allocating the effect of derivative contracts.

	As at December 31, 2003		For the Year	As at December 31, 2002		For the Year
	Assets	%	Income (Loss) *	Assets	%	Income (Loss) *
			(in thousands)			
Money market.	$ 343,644	9.4	$ 5,806	$ 97,419	3.0	$ 1,015
Fixed income. .	1,096,223	29.9	89,985	1,229,884	38.1	124,021
Equities						
- Canadian . .	1,316,372	36.0	286,580	1,084,296	33.6	(104,321)
- US	578,837	15.8	57,160	530,382	16.4	(120,005)
- Other foreign .	279,114	7.6	25,929	253,346	7.8	(63,321)
Real Estate						
- Canadian . .	9,356	0.3	301	---	---	---
- Pooled fund . . .	37,537	1.0	2,468	35,409	1.1	465
Other	---	---	26	---	---	26
	$ 3,661,083	100.0	$ 468,255	$ 3,230,736	100.0	$ (162,120)

* Includes realized losses of $6.6 million (losses of $14.1 million - 2002) and unrealized gains of $327.6 million (unrealized losses of $231.8 million - 2002).

(d) Investment Risk Management

Risk management relates to the understnding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to foreign currency, interest rate volatility, market and credit risk. The Fund has set formal policies and procedures that establish an asset mix among equity, fixed income and real estate investments, require diversification of investments within categories, and set limits on the size of exposure to individual investments and counterparties. In addition, derivative financial instruments are used, where appropriate, to assist in the management of these risks.

(i) Interest rate risk

Interest rate risk refers to the fact that the Plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the Plan's assets and cash flows related to the Plan's liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. To meet these liabilities the Plan has established an asset mix policy of approximately 60% equities, 33% fixed income securities and 7% real estate. Long-term equity returns have historically shown high correlation with changes in inflation and salary escalation, while fixed income securities are sensitive to changes in nominal interest rates.

	2003						2002	
	Within 1 year	1 to 5 years	50 to 10 years	Over 10 years	Total	Average effective yield	Total	Average effective yield
			(in thousands)			%		%
Money market	$ 536,195	$ ---	$ ---	$ ---	$ 536,195	2.8	$ 276,780	2.8
Bonds and debentures	43,764	346,559	292,256	298,328	980,907	5.7	1,127,769	5.9
Real return bonds	---	---	---	115,316	115,316	3.8	102,115	4.3
Total	$ 579,959	$ 346,559	$ 292,256	$ 413,644	$ 1,632,418		$ 1,506,664	

The average effective yield reflects the estimated annual income of a security as a percentage of its year-end market value.

(ii) Market risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Fund's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Guidelines, and to utilize derivative financial instruments, which are designed to mitigate the impact of market risk.

(iii) Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss.

The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher. In addition, the Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating.

(iv) Foreign currency risk

Foreign currency exposure arises from the Plan's holding of equities denominated in foreign currency. From time to time some of this exposure will be hedged based on interest rate spreads or other economic fundamentals.

The Plan's currency exposure from net investment assets as at December 31, 2003 is summarized in the following table:

Currency	**2003**	**2002**
	(in thousands)	
Canada	$ 2,811,380	$ 2,493,795
United States	626,270	566,557
Euro Zone	82,773	66,212
Japan	31,939	26,915
United Kingdom	43,363	57,253
Other	81,359	72,147
Total	$ 3,677,084	$ 3,282,879

5. Actuarial Asset Value Adjustment

The actuarial asset value adjustment is comprised of the present value of future payments under Schedule B of the Act. As at December 31, 2003, no further payments were payable under Schedule B.

6. Actuarial Valuation

Actuarial valuations of the Fund are required every year by the Act, and provide an estimate of the accrued pension benefits (Fund liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, William M. Mercer Limited, performed a valuation as at December 31, 2003 and issued their report in May 2004. The report indicated that the Plan had an unfunded liability of $871.2 million (2002 - $1,015.5 million).

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected five year average salary at the expected date of retirement. The projected unit credit method was adopted for the actuarial valuation to determine the current cost and actuarial liability. The major economic and demographic assumptions used in the valuation were as follows:

	Valuation December 31, 2003	**Valuation December 31, 2002**
Inflation	3.0% per annum	3.0% per annum
Average Salary Increase	0.5% per annum real plus merit ranging from 0.0% to 2.75% based on 5 year age bands	0.5% per annum real plus merit ranging from 0.0% to 2.75% based on 5 year age bands
Real Rate of Return on Investments	4.25% per annum	4.25% per annum
Average Retirement Age	60% - Retire at earliest date first eligible for an unreduced pension	60% - Retire at earliest date first eligible for an unreduced pension
	40% - Retire at earliest of: - age 65; - 35 years of service; or - age 60 with 10 years of service	40% - Retire at earliest of: - age 65; - 35 years of service; or - age 60 with 10 years of service
Mortality	1994 Group Annuitant Mortality Table projected to 2000 using scale AA	1994 Group Annuitant Mortality Table projected to 2000 using scale AA

There have been no changes in the major actuarial assumptions and methodology used for the 2003 valuation as compared to the 2002 valuation.

7. Operating Expenses

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses.

		2003	2002
		(in thousands)	
Plan Administration			
Professional services	$	241 $	150
Salaries		679	681
Supplies and services		357	658
Travel		8	6
Other		103	47
		1,388	1,542
Investment Expenses			
Investment management fees	$	5,901 $	5,827
Professional services		33	27
Salaries		360	344
Supplies and services		164	52
Travel		13	22
Other		31	63
		6,502	6,335
Total Operating Expenses	$	7,890 $	7,877

8. Related Party Transactions

Investments held in the Fund include debentures of the Province of Nova Scotia with a total market value of $34.9 million (0.9% of total assets) as at December 31, 2003 ($65.3 million (1.9% of total assets) as at December 31, 2002).

9. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year presentation.

AUDITORS' REPORT

To the Chair and Members of
Nova Scotia Utility and Review Board

We have audited the balance sheet of the Nova Scotia Utility and Review Board at March 31, 2004, and the statements of operations, accumulated surplus, capital assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Halifax, Nova Scotia
May 19, 2004

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Operations
Year Ended March 31, 2004

	2004	2003
Revenue		
Grant from the Province of Nova Scotia (Note 2)	$ 2,737,000	$ 2,392,325
Recoveries (Notes 2 and 10)	1,070,490	1,368,427
Assessments to utilities (Note 2)	966,632	788,635
Interest	16,757	20,923
	4,790,879	4,570,310
Expenses		
Salaries, wages and benefits	2,820,054	2,584,358
Consulting and legal fees	1,011,507	971,610
Rent and business taxes (Note 11)	415,693	421,621
Travel	181,056	208,033
Depreciation	63,415	38,713
Transcribing and printing	50,791	96,497
Equipment (Note 3)	42,976	39,332
Advertising	40,994	64,567
Staff training and development	36,010	7,754
Office supplies and services	35,997	52,229
Sundry expenses	31,469	8,426
Dues and fees	29,587	44,908
Telecommunications	25,478	28,361
Maintenance	17,123	30,804
Books and reports	16,657	13,196
Postage and couriers	12,463	14,920
	4,831,270	4,625,329
Operating deficit for the year	$ (40,391)	$ (55,019)

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Accumulated Surplus
Year Ended March 31, 2004

	2004		
	Province of Nova Scotia	**Public Utilities**	**Total**
Restricted (Note 13)			
Balance, beginning of year	$ 439,793	$ 161,551	$ 601,344
Transferred from general	28,209	11,044	39,253
Balance, end of year	468,002	172,595	640,597
General			
Balance, beginning of year	65,201	88,110	153,311
Operating deficit	(29,026)	(11,365)	(40,391)
Transferred to restricted	(28,209)	(11,044)	(39,253)
Balance, end of year	7,966	65,701	73,667
Total accumulated surplus	$ 475,968	$ 238,296	$ 714,264

	2003		
	Province of Nova Scotia	**Public Utilities**	**Total**
Restricted (Note 13)			
Balance, beginning of year	$ 268,281	$ 105,012	$ 373,293
Transferred from general	171,512	56,539	228,051
Balance, end of year	439,793	161,551	601,344
General			
Balance, beginning of year	278,091	158,290	436,381
Operating deficit	(41,378)	(13,641)	(55,019)
Transferred to restricted	(171,512)	(56,539)	(228,051)
Balance, end of year	65,201	88,110	153,311
Total accumulated surplus	$ 504,994	$ 249,661	$ 754,655

See accompanying notes to financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

Balance Sheet
March 31, 2004

	2004	2003
ASSETS		
Current		
Cash and cash equivalents (Notes 3, 6 and 14)	$ 269,563	$ 968,194
Accounts receivable (Note 4)	1,360,334	617,477
Inventory (Note 5)	11,117	2,215
Prepaid expenses	15,430	---
	1,656,444	1,587,886
Service award advances	4,666	6,804
Capital assets	107,597	81,344
	$ 1,768,707	$ 1,676,034
LIABILITIES		
Current		
Payables and accruals	$ 300,993	$ 225,662
Due to related parties	303,937	239,300
Advances for working capital (Note 9)	125,000	125,000
	729,930	589,962
Public service award liability (Note 8)	324,513	331,417
	1,054,443	921,379
SURPLUS (Note 2)		
Restricted (Note 13)	640,597	601,344
General	73,667	153,311
	714,264	754,655
	$ 1,768,707	$ 1,676,034

Commitments (Note 11)

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Capital Assets
Year Ended March 31, 2003

	Cost			Accummulated Depreciation			2004 Net Book Value	2003 Net Book Value
	Opening	Additions	Closing	Opening	Expense	Closing		
Furniture	$ 158,970	$ 6,659	$ 165,629	$ 131,121	$ 6,185	$ 137,306	$ 28,323	$ 27,849
Computer equipment	205,133	47,685	252,818	166,369	36,026	202,395	50,423	38,764
Computer software	12,007	26,780	38,787	11,473	9,462	20,935	17,852	534
Equipment	66,212	8,544	74,756	52,015	11,742	63,757	10,999	14,197
Total	$ 442,322	$ 89,668	$ 531,990	$ 360,978	$ 63,415	$ 424,393	$ 107,597	$ 81,344

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Cash Flows
Year Ended March 31, 2004

	2004	2003
Increase (decrease) in cash and cash equivalents		
Operating		
Operating deficit	$ (40,391)	$ (55,019)
Depreciation	63,415	38,713
	23,024	(16,306)
Change in non-cash operating working capital (Note 12)	(625,083)	(483,231)
	(602,059)	(499,537)
Financing		
Decrease in public service award liability	(6,904)	(7,043)
Investing		
Purchase of capital assets	(89,668)	(66,764)
Net decrease in cash and cash equivalents	(698,631)	(573,344)
Cash and cash equivalents		
Beginning of year	968,194	1,541,538
End of year	$ 269,563	$ 968,194

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

Notes to the Financial Statements
March 31, 2004

1. Incorporation

The Nova Scotia Utility and Review Board (the Board) was created on December 14, 1992, through the proclamation of the Utility and Review Board Act, Chapter 11 of the Acts of 1992. The Act consolidated the operations of the former Board of Commissioners of Public Utilities, Municipal Board, Expropriations Compensation Board, and Tax Review Board. All assets and liabilities of the former boards were transferred to and assumed by the Nova Scotia Utility and Review Board.

2. Authority

The Nova Scotia Utility and Review Board has those functions, powers and duties conferred upon it through Section 4 of the Utility and Review Board Act. Section 15 of the Public Utilities Act requires the Board to estimate its expenses in administering that Act and assess them against the public utilities of the Province. Section 157 of the Insurance Act and Regulations made pursuant to Sections 41 and 42 of the Gas Distribution Act, and Section 44 of the Pipeline Act allow the Board to recover certain expenses for activities relating to those Acts. Expenses incurred by the Board in administering all other Acts are recovered from the Province of Nova Scotia. Any operating surpluses or deficits are allocated to the Province and the public utilities based on the prorata share of revenue contributed in each year.

3. Summary of significant accounting policies

General
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

Cash and cash equivalents
Cash and cash equivalents include balances with banks and short term investments. Bank borrowings are considered to be financing activities.

Short term investments
Short term investments are valued at cost plus interest accrued to year end, which approximates market value.

Capital assets
Capital assets purchased by the Board with a value greater than $1,000 and a useful life greater than one year are capitalized and amortized over their useful lives on a straight line basis as follows:

Furniture	10 years
Computer equipment	3 years
Computer software	3 years
Equipment	5 years

Use of estimates

In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Revenue is recognized on an accrual basis. Recoveries revenue is recognized as the related expenditures occur.

Fair value of financial instruments

The Board's estimate of the fair value of cash and cash equivalents, accounts receivable, payables and accruals and due to related parties approximate their carrying value due to their short-term nature.

4. Accounts receivable

	2004	2003
Due from related parties	$ 81,463	$ 65,848
Trade	1,278,871	551,629
	$ 1,360,334	$ 617,477

5. Inventory

Inventory consists of specialty books held for resale. Cost is determined using the first-in, first-out method of valuation.

6. Pledged assets

The Board has an operating line of credit of $150,000 of which none has been used at March 31, 2004. As security, the Board pledges short term investments.

7. Pensions

Public service superannuation fund

Pursuant to Section 10 of the Utility and Review Board Act, all full time employees of the Board are entitled to receive pension benefits under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Board is not responsible for any unfunded liability.

8. Public service award liability

The Board follows provisions similar to those found in the Civil Service Act with respect to the payment of public service awards to retiring employees. The Board is responsible for the funding and eventual payment of these awards.

9. Advances for working capital

The following advance was transferred to the Nova Scotia Utility and Review Board from the Board of Commissioners of Public Utilities on consolidation:

	2004	2003
Province of Nova Scotia	$ 125,000	$ 125,000

The authority for the advance for working capital from the Province was contained in Section 14 of Chapter 380, RSNS 1989, the Public Utilities Act. The advance is non-interest bearing, with no set terms of repayment.

10. Recoveries

Consultants are engaged by the Board to provide advice related to matters such as insurance, utility and natural gas operations and to provide expert testimony during hearings. Consulting fees for specific hearings are generally recovered directly from the entities involved.

The Board also recovers certain transcription, copying and other expenses from various sources.

11. Commitments

The Nova Scotia Utility and Review Board has entered into an agreement to lease its premises until October 31, 2009. The annual rent of premises consists of a minimum rent plus the Board's portion of common costs such as maintenance, power, water and property taxes. Minimum rent payable for premises, not including common costs, in aggregate and for each of the next five years is as follows:

2005	205,353
2006	209,569
2007	209,569
2008	209,569
2009	209,569
Subsequently	122,247
	$ 1,165,876

Approximately 1,000 square feet of the Board's premises has been sublet to the Department of Transportation and Public Works for space occupied by the Nova Scotia Police Commission.

12. Supplemental cash flow information

	2004	2003
Change in non-cash operating working capital		
Accounts receivable	$ (742,857)	$ (242,464)
Inventory	(8,902)	1,064
Prepaid expenses	(15,430)	—
Service award advances	2,138	1,925
Payables, accruals and due to related parties	139,968	(243,756)
	$ (625,083)	$ (483,231)

13. Restricted surplus

Certain amounts of surplus have been restricted as necessary for ongoing and future operations of the Board. Details are as follows:

	Province of Nova Scotia	Public Utilities	2004 Total	2003 Total
Working capital	$ 251,458	$ 98,542	$ 350,000	$ 350,000
Tangible capital assets	74,732	32,865	107,597	81,344
Deferred capital expenditures	141,812	41,188	183,000	170,000
	$ 468,002	$ 172,595	$ 640,597	$ 601,344

14. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2004	2003
Cash on hand and balances with banks	$ 111,572	$ 165,280
Short-term investments	157,991	802,914
	$ 269,563	$ 968,194

15. Related party transactions

The Nova Scotia Utility and Review Board is a quasi-judicial tribunal operating at arm's length from the Government of the Province of Nova Scotia. A significant amount of the funding for the Board is provided from the Consolidated Fund of the Province through a public service vote.

The Department of Transportation and Public Works for the Province of Nova Scotia sublets approximately 1,000 square feet of the Board's premises on behalf of the Nova Scotia Police Commission. The Board recovers the cost of the sublet space from the Department.

Direct expenses and a portion of salary costs incurred by the Board in relation to its adjudicative duties pursuant to the Liquor Control Act, Gaming Control Act and Theatre and Amusements Act are recovered from the Province through the Alcohol and Gaming Authority of the Department of Environment and Labour.

The Board purchases certain stationery supplies from the central government stationery stockroom. Purchases are included in office supplies expense.

Transactions with the Province by financial statement category are as follows:

	2004	2003
Statement of Operations:		
Grant from the Province of Nova Scotia . . . . $	2,737,000 $	2,392,325
Recoveries:		
Premises sublet to Province.	24,570	24,570
Alcohol, gaming and amusement adjudicative costs	139,826	127,035
Office supplies expense.	9,838	10,566
Balance sheet:		
Accounts receivable (Note 4)	81,463	64,545
Payables and accruals.	303,937	239,300
Advances for working capital (Note 9).	125,000	125,000
Surplus	475,968	504,994

16. Comparative figures

Certain of the prior years figures have been reclassified to conform with the financial statement presentation adopted in the current year.

AUDITORS' REPORT

To the Board of Directors of
Pictou County Health Authority

We have audited the statement of financial position of Pictou County Health Authority as at March 31, 2004 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Pictou County Health Authority as at March 31, 2004, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Truro, Nova Scotia
May 31, 2004

PICTOU COUNTY HEALTH AUTHORITY

Statement of Financial Position
March 31, 2004

ASSETS

	Operating Fund	Capital Fund	Endowment Fund	Total 2004	Total 2003
Current					
Cash and cash equivalents (Note 4)	$ 2,661,847	$ 52,009	$ 648,994	$ 3,362,850	$ 3,229,658
Investments (at cost, market value $1,111,839)	1,081,738	---	---	1,081,738	965,379
Receivables (Note 5)	1,737,594	1,205,338	---	2,942,932	3,859,907
Due from other funds	474,913	---	206,060	680,973	767,930
Inventories	305,578	---	---	305,578	285,134
Prepaids	250,871	---	---	250,871	136,579
	6,512,541	1,257,347	855,054	8,624,942	9,244,587
Other receivables (Note 6)	4,741,844	---	---	4,741,844	3,950,193
Capital assets (Note 7)	---	40,934,246	---	40,934,246	41,652,508
	$ 11,254,385	$ 42,191,593	$ 855,054	$ 54,301,032	$ 54,847,288

LIABILITIES

Current					
Payables and accruals (Note 8)	$ 5,830,816	$ 271,796	$ ---	$ 6,102,612	$ 7,013,205
Due to other funds	---	680,973	---	680,973	767,930
Deferred revenue	2,270,831	554,575	---	2,825,406	2,608,851
Current portion of obligations under capital lease (Note 10)	---	11,897	---	11,897	19,226
	8,101,647	1,519,241	---	9,620,888	10,409,212
Employee benefits (Note 9)	3,148,958	---	---	3,148,958	2,357,307
Obligation under capital lease (Note 10)	---	---	---	---	11,897
	11,250,605	1,519,241	---	12,769,846	12,778,416

FUND BALANCES (Page 443)

Restricted (Note 11)	---	11,897	706,087	717,984	572,756
Unrestricted	3,780	---	148,967	152,747	146,026
Investment in capital assets	---	40,660,455	---	40,660,455	41,350,090
	3,780	40,672,352	855,054	41,531,186	42,068,872
	$ 11,254,385	$ 42,191,593	$ 855,054	$ 54,301,032	$ 54,847,288

Commitments (Note 13)

See accompanying notes to the financial statements

PICTOU COUNTY HEALTH AUTHORITY

Statement of Operations - Operating Fund
Year Ended March 31, 2004

	2004	2003
Revenues		
Nova Scotia Department of Health	$ 43,119,226	$ 37,091,527
Charges to M.S.I.	2,668,629	2,195,541
Department of Veterans Affairs	1,719,846	1,807,752
In-patients	810,653	792,169
Out-patients	293,075	246,153
Rental Income	295,295	295,694
Community Health Board initiatives	---	48,969
Early Identification and Intervention program	56,716	69,546
Investment income	108,027	53,605
Food services	7,683	10,596
Laboratory	56,725	58,927
Project Funding	75,080	---
Other income	72,842	34,824
	49,283,797	42,705,303
Expenses		
In-patient services	17,817,233	16,692,587
Ambulatory services	10,631,875	9,557,550
Diagnostic and therapeutic services	7,091,610	6,735,942
Support services	10,517,296	9,517,956
Community services	1,844,143	1,219,602
Rental expenses	234,654	253,873
Research	4,074	---
Education and library	74,305	115,064
Increase in vacation pay accrual	106,876	188,836
Retirement allowance benefits	957,951	298,893
	49,280,017	44,580,303
Operating surplus (deficit) before deficit funding	3,780	(1,875,000)
Operating deficit funding receivable from the Nova Scotia Department of Health	---	1,875,000
Excess of revenues over expenses	$ 3,780	$ ---

See accompanying notes to the financial statements

PICTOU COUNTY HEALTH AUTHORITY

Statement of Changes in Fund Balances
Year Ended March 31, 2004

	Operating Fund	Capital Fund	Endowment Fund	Total 2004	Total 2003
Restricted					
Balance, beginning of year	$ ---	$ 31,123	$ 541,633	$ 572,756	$ 515,027
Excess of revenues over expenses	---	---	13,038	13,038	12,195
Transfer to Capital Fund	---	---	(6,149)	(6,149)	(92,456)
Transfer to unrestricted	---	(19,226)	---	(19,226)	(17,842)
Contributions	---	---	157,565	157,565	155,832
Balance, end of year	$ ---	$ 11,897	$ 706,087	$ 717,984	$ 572,756
Unrestricted					
Balance, beginning of year	$ ---	$ 41,350,090	$ 146,026	$ 41,496,116	$ 41,577,965
Transfer from restricted	---	19,226	---	19,226	17,842
Excess of revenues over expenses	3,780	1,353	2,941	8,074	4,545
Capital asset funding					
Department of Health	---	1,299,807	---	1,299,807	1,419,407
Foundations	---	436,965	---	436,965	620,507
Auxiliary	---	19,900	---	19,900	93,538
Endowment	---	6,149	---	6,149	92,456
Other	---	67,952	---	67,952	55,648
Amortization	---	(2,539,305)	---	(2,539,305)	(2,380,470)
Capital debt charges	---	(1,682)	---	(1,682)	(5,322)
Balance, end of year	$ 3,780	$ 40,660,455	$ 148,967	$ 40,813,202	$ 41,496,116

See accompanying notes to the financial statements

PICTOU COUNTY HEALTH AUTHORITY

Statement of Cash Flows
Year Ended March 31, 2004

	2004	2003
Increase (decrease) in cash and cash equivalents		
Operations		
Excess of revenues over expenses - Operating Fund	$ 3,780	$ ---
Excess of revenues over expenses - Capital Fund	1,353	1,691
Excess of revenues over expenses - Endowment Fund	15,979	15,049
Contributions - Endowment Fund	157,565	155,832
	178,677	172,572
Change in non-cash working capital		
Receivables	916,975	(374,379)
Inventories	(20,444)	(20,379)
Prepaids	(114,292)	(56,828)
Payables and accruals	(910,593)	876,505
Deferred revenue	216,555	308,837
	266,878	906,328
Financing and investing		
Capital asset funding	1,830,773	2,281,556
Capital debt charges	(1,682)	(5,322)
Interfund transfer - capital asset funding	19,226	17,842
Purchase of capital assets	(1,821,043)	(2,491,356)
Repayment long term debt and obligation under capital lease	(19,226)	(137,288)
	8,048	(334,568)
Decrease in restricted funds	(25,375)	(110,298)
	(17,327)	(444,866)
Net increase in cash and cash equivalents	249,551	461,462
Cash and cash equivalents, beginning of year	4,195,037	3,733,575
Cash and cash equivalents, end of year	$ 4,444,588	$ 4,195,037

See accompanying notes to the financial statements

PICTOU COUNTY HEALTH AUTHORITY

Notes to the Financial Statements
March 31, 2004

1. Nature of operations

Pictou County Health Authority operates several health care facilities including Aberdeen Regional Hospital, Sutherland Harris Memorial Hospital and related community health services.

2. Health Authorities Act

Pictou County Health Authority was formed by the Health Authorities Act of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Pictou County Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and community health services referred to above.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Use of estimates
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

Fund accounting
Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the authority's capital assets. Endowment contributions are reported in the Endowment Fund.

Revenue recognition
Pictou County Health Authority follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital contributions are treated as additions to investment in capital assets in the year in which the asset is acquired.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which it is earned.

Inventories
Inventories are recorded at the lower of cost or replacement value.

Capital assets
Assets purchased during the year were recorded in the Capital Fund at cost. Amortization is provided on a straight line basis as follows:

Buildings	50 years
Land improvements	20 years
Equipment	5-20 years
Equipment under capital lease	5-20 years

Amortization on construction in progress is not recorded until the projects are completed.

Compensation accruals
Pictou County Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and call back.

Employee benefit plans
The authority accrues its employee benefit plan obligations and the related costs, net of plan assets. The authority has adopted the following policies:

- The cost of retirement benefits (allowances) earned by employees is actuarially determined using the projected benefit method prorated on service.

- Defined contribution plan accounting is applied to a multi-employer defined benefit pension plan because the authority does not have sufficient information to apply defined benefit plan accounting.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances with banks and short term investments..

Financial instruments
The health authority's financial instruments consist of cash, investments, receivables, payables and accruals, deferred revenue and obligations under capital leases. Unless otherwise noted, it is management's opinion that the health authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The carrying value of these financial instruments approximate their fair value unless otherwise noted.

4. Restricted cash

The health authority has included in its cash and cash equivalents restricted cash totalling $27,980, held in trust on behalf of two employees deferred salary arrangements. An offset liability is included in payables and accruals and will be paid out in accordance with the terms and conditions of the arrangements.

5. Receivables

	Operating Fund	Capital Fund	Total 2004	Total 2003
Charges to M.S.I..	$ 145,175	$ —	$ 145,175	$ 161,840
Foundation and Auxiliary	12,742	585,780	598,522	660,647
Harmonized sales tax.	306,408	17,122	323,530	396,315
Patients	282,717	—	282,717	151,699
Veterans Affairs Canada	126,556	---	126,556	57,885
Other	425,404	63,882	489,286	304,079
	1,299,002	666,784	1,965,786	1,732,465
Nova Scotia Department of Health				
Construction and equipment	—	538,554	538,554	44,714
Operating deficit funding	---	---	---	1,875,000
Other	438,592	—	438,592	207,728
	438,592	538,554	977,146	2,127,442
	$ 1,737,594	$ 1,205,338	$ 2,942,932	$ 3,859,907

6. Other receivables

	Operating Fund	Total 2004	Total 2003
Nova Scotia Department of Health			
Vacation pay . . . . $	1,592,886 $	1,592,886 $	1,592,886
Employee benefits.	3,148,958	3,148,958	2,357,307
$	4,741,844 $	4,741,844 $	3,950,193

7. Capital Assets

			2004	2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land . . . . $	32,378 $	--- $	32,378 $	32,378
Land improvements	399,698	116,696	283,002	296,837
Buildings	51,040,691	14,503,735	36,536,956	36,357,229
Equipment	11,468,196	7,455,992	4,012,204	4,210,871
Equipment under capital lease	557,675	490,022	67,653	123,422
Construction in progress. . . .	2,053	---	2,053	631,771
$	63,500,691 $	22,566,445 $	40,934,246 $	41,652,508

The Aberdeen Hospital Foundation and Aberdeen Hospital Trust have provided funding for the purchase of equipment for medical use by the Aberdeen Hospital which is operated by the Pictou County Health Authority. The agreements specify that equipment purchased with funds provided by the foundation or the trust shall not be sold or disposed of by the health authority without their express written permission and the net proceeds from the sale of such equipment shall only be used to purchase equipment as approved in the normal course by the foundation or trust.

8. Payables and accruals

	Operating Fund	Capital Fund	Total 2004	Total 2003
Trade . . . . $	3,510,089 $	271,796 $	3,781,885 $	4,799,354
Vacation pay.	2,320,727	---	2,320,727	2,213,851
$	5,830,816 $	271,796 $	6,102,612 $	7,013,205

9. Employee benefits

The health authority has the following benefit plans:

(i) a multiemployer defined benefit plan, as administered by the Nova Scotia Association of Health Organizations, providing pension benefits to most of its employees. The most recent actuarial valuation was conducted as at December 31, 2000 and an extrapolation was performed to December 31, 2003 which indicated a funding surplus. The health authority's pension expense for the year amounted to $1,480,252 (2003 - $1,241,184).

(ii) a retirement benefit plan providing retiring allowances to its employees. The most recent actuarial valuation was conducted at March 31, 2004. The Province of Nova Scotia has assumed responsibility for funding this liability and a corresponding receivable has been recorded.

Information about the health authority's retirement benefit plan per the actuarial report is as follows:

	2004	2003
Expense	$ 957,951	$ 298,893
Benefits paid	$ (166,300)	$ (115,600)
Accrued benefit liability recognized	$ 3,148,958	$ 2,357,307
Funding status - plan deficit	$ (3,598,200)	$ (2,634,700)
Unamortized net actuarial loss	449,242	277,393
	$ (3,148,958)	$ (2,357,307)

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2004:

Discount rate	6.17%
Rate of compensation increase	3.65% - 6.15%
Termination rates	1.20% - 20%

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date, which is their 65th birthday.

10. Obligation under capital lease

The health authority leases equipment under a capital lease from Toshiba of Canada Limited.

Future minimum lease payments are as follows:

	2004	2003
2004	$ ---	$ 20,908
2005	12,197	12,197
	12,197	33,105
Less: amount representing interest on capital leases at 7.25%	300	1,982
	11,897	31,123
Less: current portion	11,897	19,226
	$ ---	$ 11,897

As security, the health authority has pledged specific equipment.

11. Restricted fund balance

The Nova Scotia Department of Health provided funding to establish a reserve for repayment of capital lease obligations. This reserve is restricted and will be used solely for the repayment of capital lease obligations as referred to in Note 10. The balance of the reserve was $11,897 as of March 31, 2004.

12. Credit facilities

The health authority has a financing arrangement with a financial institution which provides an available operating line of credit totalling $1,000,000, all of which is unused at March 31, 2004.

13. Commitments

Pictou County Health Authority has entered into an agreement to lease computer equipment. Minimum annual lease payments are as follows:

2005	$	38,349
2006	$	38,349

14. Related entities

The health authority has responsibility for the operation of certain hospitals and health care facilities as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care facilities. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The health authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations may accrue to the benefit of the authority. The amount and nature of these assets at March 31, 2004 are available from the individual financial statements of the related entities.

15. Comparative figures

Certain of the 2003 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2004.

AUDITORS' REPORT

To the Board of Directors of
Provincial Drug Distribution Program

We have audited the statement of financial position of the Provincial Drug Distribution Program (the "PDDP") as at March 31, 2004 and the statements of fund balances, revenues and expenditures and cash flow for the year then ended. These financial statements are the responsibility of the PDDP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the PDDP as at March 31, 2004 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

Halifax, Canada
May 14, 2004

PROVINCIAL DRUG DISTRIBUTION PROGRAM

Statement of Financial Position Operating and Capital Fund
as at March 31, 2004

	Operating Fund	Capital Fund	Total 2004	Total 2003
			(in thousands)	
ASSETS				
Current				
Cash	$ 3,394	$ —	$ 3,394	$ 2,368
Accounts receivable (note 3)	8,057	—	8,057	5,648
Inventories	2,215	—	2,215	2,457
	13,666	—	13,666	10,473
Deferred charges (note 4)	—	10	10	19
Capital assets	—	15	15	29
Asset under construction	—	114	114	—
	$ 13,666	$ 139	$ 13,805	$ 10,521
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$ 5,008	$ —	$ 5,008	$ 2,254
Due to Capital District Health Authority	722	—	722	404
Customer rebates	506	—	506	437
	6,236	—	6,236	3,095
Due to Department of Finance (note 5)	7,341	—	7,341	7,341
	13,577	—	13,577	10,436
FUND BALANCE				
Operating fund	89	—	89	37
Investment in capital assets	—	139	139	48
	$ 13,666	$ 139	$ 13,805	$ 10,521

PROVINCIAL DRUG DISTRIBUTION PROGRAM

Statement of Fund Balances
Year ended March 31, 2004

OPERATING FUND

	2004 (in thousands)	2003
Balance, beginning of year	$ 37	$ 113
Net revenues over expenditures	52	37
	89	150
Approved equity transfer	—	(113)
Balance, end of year	$ 89	$ 37

INVESTMENT IN CAPITAL ASSETS

	2004	2003
Capital funding, beginning of year	$ 48	$ 71
Amortization of capital fund	(23)	(23)
Capital funding for the year (Schedule C)	114	—
	139	48
Balance, end of year	$ 139	$ 48

Statement of Revenues and Expenditures
year ended March 31, 2004

	2004 (in thousands)	2003
Operating		
Revenues (Schedule A)	$ 61,416	$ 56,886
Expenditures (Schedule B)	61,364	56,849
Net revenues over expenditures	$ 52	$ 37

PROVINCIAL DRUG DISTRIBUTION PROGRAM

Statement of Cash Flow
year ended March 31, 2004

	2004	2003
	(in thousands)	
Operating Activities		
Net revenues over expenditures	$ 52	$ 37
Items not requiring cash		
Depreciation	23	23
Amortization of capital fund	(23)	(23)
Approved equity transfer	—	(113)
Changes in non-cash working capital items	974	1,179
Cash provided by operating activities	1,026	1,103
Financial Activities		
Capital funding (Schedule C)	114	—
Cash provided by financing activities	114	—
Investing Activities		
Capital assets acquired (Schedule C)	(114)	—
Cash used in investing activities	(114)	—
Net increase during the year	1,026	1,103
Cash, beginning of year	2,368	1,265
Cash, end of year	$ 3,394	$ 2,368

See accompanying notes

PROVINCIAL DRUG DEPENDENCY PROGRAM

Notes to Financial Statements
March 31, 2004

1. Nature of Organization

The Provincial Drug Distribution Program (PDDP) is the responsibility of the Minister of Health and a board of managers. Effective April 1, 1998, the District Health Authorities (DHAs) and non-designated organizations (NDOs) agreed to purchase all of their drug requirements through the PDDP. Sales are made to hospitals at cost and to nursing homes at cost plus a mark up of 10%. The Capital District Health Authority administers the program.

2. Significant Accounting Policies

The PDDP follows the deferral method of accounting for contributions. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following specific accounting policies.

Fund Accounting
The Provincial Drug Distribution Program maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating actifities from capital activities.

The operating fund contains the non-capital operating assets, liabilities, revenues and expenditures of the PDDP related to the distribution of drugs.

The capital fund contains the capital assets, net of accumulated and related capital funding, net of accumulated amortizations.

Operating Costs
These financial statements do not include certain expenses which are absorbed by the Capital District Health Authority.

Capital Assets
Capital assets are valued at cost and are depreciated on a straight-line basis over the useful life of each asset.

Deferred Charges
Deferred charges are valued at cost and are amortized on a straight-line basis over five years.

Inventory
Inventory is valued at the lower of cost and replacement cost, with cost determined on a first-in first-out basis.

Financial Instruments
The organization's primary financial instruments consist of receivables and payables. The difference between the carrying values and the fair market values of the primary financial instruments are not material due to the short-term maturities and the credit terms of those instruments with the exception of certain debt instruments.

3. Accounts Receivable

	2004	2003
	(in thousands)	
Customer receivables	$ 7,954	$ 5,508
Out-dated drugs receivable	103	140
	$ 8,057	$ 5,648

4. Deferred Charges

The Department of Health entered into an agreement dated January 1, 2000 with a national buying group. As a result, the PDDP will be entitled to receive all negotiated vendor contract prices for pharmaceutical supplies. The PDDP paid a one-time non-refundable joining fee. This investment is recorded at cost and is amortized on a straight-line basis over five years.

5. Due to Department of Finance

In prior years, the Province of Nova Scotia processed and recorded the receipts and disbursements of the Nova Scotia Hospital and PDDP. As at April 1, 1997, the cumulative difference between receipts and disbursements was recognized as a liability to the Province at year-end. Repayment terms for this liability are not specified.

PROVINCIAL DRUG DISTRIBUTION PROGRAM

Schedule A

Schedule of Revenues
Year ended March 31, 2004

	2004	2003
	(in thousands)	
Drugs	$ 60,920	$ 56,416
Department of Health	329	329
Other	167	141
Amortization of capital fund	23	23
	61,439	56,909
Less: Amortization of capital fund	23	23
	$ 61,416	$ 56,886

Schedule B

Schedule of Expenditures
Year ended March 31, 2004

	2004	2003
	(in thousands)	
Drugs	$ 60,610	$ 56,122
Compensation	548	515
Fees	167	141
Plant maintenance supplies	14	37
Other	19	32
Depreciation	23	23
Travel	6	2
	61,387	56,872
Less: Depreciation	23	23
	$ 61,364	$ 56,849

Schedule C

Schedule of Changes in Capital
Year ended March 31, 2004

	2004	2003
	(in thousands)	
Capital Funding		
Rebates from Medbuy	$ 114	$ --
	$ 114	$ --
Capital Expenditures		
Asset under construction	$ 114	$ --
	$ 114	$ --

AUDITOR'S REPORT

To the Shareholder of PSS Investments I Inc.

We have audited the balance sheet of PSS Investments I Inc as at December 31, 2003 and the statements of earnings and retained earnings and cash flows for the period from incorporation on June 6, 2003 to December 31, 3003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and the results of its operations and cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Winnipeg, Canada
March 19, 2004

PSS INVESTMENTS I INC.

Balance Sheet
December 31, 2003

		2003
ASSETS		
Income producing properties (note 3)	$	7,589,265
Accounts receivable		283
Cash		210,894
	$	7,800,442
LIABILITIES and SHAREHOLDER'S EQUITY		
Accounts payable and accrued liabilities	$	24,784
Shareholder's equity:		
Share capital (note 4)		7,597,174
Retained earnings		178,484
		7,775,658
	$	7,800,442

See accompanying notes to financial statements

PSS INVESTMENTS I INC.

Statement of Earnings and Retained Earnings
Period from incorportion on June 6, 2003 to December 31, 2003

		2003
Property revenue	$	278,995
Property operating expenses		11,313
Gross income		267,682
Amortization		65,847
Net operating income		201,835
Investment income		124
		201,959
Administrative costs		5,000
Asset management fees		15,948
Performance fees		2,527
Net earnings, being retained earnings, end of period	$	178,484

See accompanying notes to financial statements.

PSS INVESTMENTS I INC.

Statement of Cash Flows
Period from incorporation on June 6, 2003 to December 31, 2003

		2003
Cash flows from operating activities:		
Net earnings	$	178,484
Items not involving cash:		
Amortization		65,847
		244,331
Change in non-cash operating working capital:		
Accounts receivable		(283)
Accounts payable and accrued liabilities		24,784
Cash flows from operating activities		268,832
Cash flows from financing activities:		
Issue of common shares		7,597,174
Cash flows used in investing activities:		
Purchase of income producing property		(7,655,112)
Increase in cash, being cash, end of period	$	210,894

See accompanying notes to financial statements.

PSS INVESTMENTS I INC.

Notes to Financial Statements
Period from incorporation on June 6, 2003 to December 31, 2003

1. Operations:

PSS Investments I Inc. (the "company") was incorporated and registered June 6, 2003 under the Nova Scotia Companies Act by the Minister of Finance for the Province of Nova Scotia, as trustee of The Nova Scotia Public Service Superannuation Fund.

The company shall limit its activities to:

(i) acquiring, holding, maintaining, improving, leasing or managing capital property (as construed for the purposes of the Income Tax Act, R.S.C. 1985, c.1 (5th Supplement), as amended from time to time in the Income Tax Act) that is real property or an interest in real property owned by the company, another corporation described by subparagraphs 149(1)(o.2)(ii) and 149(1)(o.2)(iv) of the Income Tax Act, or a pension plan registered with the Minister of National Revenue pursuant to the Income Tax Act; and

(ii) investing its funds in a partnership that limits its activities to acquiring, holding, maintaining, improving, leasing and/or managing capital property as construed for the purposes of the Income Tax Act that is real property or an interest in real property owned by the partnership.

The company cannot make investments other than in real property, interest therein or investments that a pension plan is permitted to make under the Pension Benefits Standards Act, 1985 or a similar law of a province.

The company cannot borrow money other than for the sole purpose of earning income from real property or an interest therein.

On August 1, 2003, the company purchased a 22.5% interest in a real property investment (an office building) located at 7070 Mississauga Road, Mississauga, Ontario. The company entered into a property management and an asset management agreement with GWL Realty Advisors Inc. ("GWLRA"), a wholly-owned subsidiary of The Great-West Life Assurance Comapny, to manage the property and provide advisory services.

2. Significant accounting policies:

(a) Basis of accounting:

These financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants and conform with the accounting recommendations provided by the Canadian Institute of Public and Private Real Estate Companies.

(b) Properties:

Income-producing properties held for investment are recorded at the lower of cost less amortization and net recoverable amount. Net recoverable amount represents the estimated net undiscounted future cash flows from the ongoing use and residual value of the property. Amortization on buildings is provided on a straight-line basis over the expected life of the property not to exceed a 40 year period.

Properties held for sale or future development are carried at the lower of costs capitalized, including all incidental revenue and expenses, and net realizable value.

Leasing costs are deferred and amortized over the term of the lease to which they relate.

Building improvement costs are deferred and amortized on a straight-line basis over a rolling 10 year period.

(c) Co-ownership interest:

Investments in real estate co-ownerships are accounted for by the proportionate consolidation method.

(d) Measurement uncertainty:

Financial statements require management to make estimates and assumptions which can effect the reported balances. In determining estimates of net recoverable amounts for its income producing property, the company relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events.

By nature, asset valuations are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated net recoverable amount may change by a material amount.

3. Income producing property:

The carrying value of the income producing property is comprised of:

Land	$	1,333,828
Building		6,321,284
Accumulated amortization		(65,847)
	$	7,589,265

4. Share capital:

The authorized capital of the company is 100,000 common shares without nominal or par value, with power to divide the shares in capital for the time being into several classes and/or to attach thereto respectively any preferential, common, deferred, or qualified rights, privileges or conditions, including restrictions on voting and including redemption or purchase of such shares, subject, however, to the provisions of the Companies Act and amendments thereto.

	Number of Shares		Amount
Cash contributed as capital	100	$	7,597,174

5. Financial instruments:

The company has the following financial instruments: accounts receivable, cash and accounts payable and accrued liabilities. The carrying values of the accounts receivable, cash and accounts payable and accrued liabilities at December 31, 2003 approximate their fair values due to the short-term nature of these financial assets and liabilities.

6. Advisor and property manager:

The portfolio has management agreements with GWLRA, under which GWLRA is responsible for the acquisition, development, disposal and management of real estate properties and performance of all administrative and clerical functions on behalf of the company. These fees are charged to the property on the balance sheet or to the statement of earnings as applicable. The following fees were incurred for the above services:

Annual asset management fee	$	15,948
Annual performance fee		2,527
Annual management fee		5,457
Acquisition fee		37,406

7. Income taxes:

The company conducts its affairs so as to qualify as a tax exempt corporation under Section 149(1)(o.2) of the Income Tax Act (Canada). Accordingly, no provision for income taxes has been made in these financial statements.

Review Engagement Report

To the Board of Trustees of
The Public Archives of Nova Scotia - Archival Ancillary and Trust Funds

We have reviewed the balance sheet of The Public Archives of Nova Scotia-Archival Ancillary and Trust Funds (Archives) as at March 31, 2004 and the statements of changes in net assets and revenue and expenditures for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

PRICE,WATERHOUSE,COOPERS LLP
Chartered Accountants

May 26, 2004

Unaudited

PUBLIC ARCHIVES OF NOVA SCOTIA - ARCHIVAL ANCILLARY AND TRUST FUNDS

Balance Sheet
As at March 31, 2004

	Endowment Fund, Collections	Archival Ancillary Fund	2004 Total	2003 Total
ASSETS				
Current assets				
Cash	$ ---	$ 34,189	$ 34,189	$ 53,613
Marketable securities	36,385	9,945	46,330	45,491
Amount held in trust by Province of Nova Scotia	52,805	---	52,805	51,860
	89,190	44,134	133,324	150,964
Equipment (note 3)	---	44,057	44,057	50,352
	$ 89,190	$ 88,191	$ 177,381	$ 201,316
LIABILITIES				
Current liabilities				
Amounts payable and accrued liabilities	$ ---	$ 12,485	$ 12,485	$ 8,101
Deferred revenue	---	53,169	53,169	34,098
	---	65,654	65,654	42,199
Net assets				
Endowments	66,100	---	66,100	66,100
Earnings on endowments	23,090	---	23,090	21,459
Invested in equipment	---	44,057	44,057	50,352
Unrestricted	---	(21,520)	(21,520)	21,206
	89,190	22,537	111,727	159,117
	$ 89,190	$ 88,191	$ 177,381	$ 201,316

Statement of Changes in Net Assets
For the year ended March 31, 2004

	Endowment Fund, Collections	Archival Ancillary Fund	2004 Total	2003 Total
Net assets - Beginning of year	$ 87,559	$ 71,558	$ 159,117	$ 220,423
Excess of revenue over expenditures (expenditures over revenue) for the year	1,631	(49,021)	(47,390)	(61,306)
Net assets - End of Year	$ 89,190	$ 22,537	$ 111,727	$ 159,117

Unaudited

PUBLIC ARCHIVES OF NOVA SCOTIA - ARCHIVAL ANCILLARY AND TRUST FUNDS

Statement of Revenue and Expenditures
For the year ended March 31, 2004

	Endowment Fund, Collections	Archival Ancillary Fund	2004 Total	2003 Total
Revenue				
Reprographic and other recoveries.....	$ ---	$ 42,132	$ 42,132	$ 50,327
Funding for special collections maintenance...........	---	38,560	38,560	69,093
Interest..........................	2,054	500	2,554	2,746
	2,054	81,192	83,246	122,166
Expenditures				
Amortization......................	---	12,090	12,090	11,868
Conferences and seminars............	---	821	821	2,712
Equipment repairs and maintenance....	---	---	---	49,264
Freight and express................	---	102	102	4,148
General operating..................	---	5,763	5,763	10,156
Membership dues...................	---	200	200	309
Miscellaneous.....................	---	420	420	1,916
Other services.....................	---	4,581	4,581	4,493
Printing and stationery..............	---	---	---	1,500
Professional services................	---	---	---	2,096
Special collections maintenance.......	---	38,560	38,560	73,593
Staff training......................	---	---	---	1,143
Subscriptions and periodicals.........	423	163	586	8,259
Transfer to N.S. Archives and Records Management............	---	65,000	65,000	9,737
Travel............................	---	2,513	2,513	2,278
	423	130,213	130,636	183,472
Excess of revenue over expenditures (expenditures over revenue) for the year.......	$ 1,631	$ (49,021)	$ (47,390)	$ (61,306)

Unaudited

PUBLIC ARCHIVES OF NOVA SCOTIA - ARCHIVAL ANCILLARY AND TRUST FUNDS

Notes to Financial Statements
For the year ended March 31, 2004

1. Status and nature of activities

The Archives, a provincially-owned entity, is primarily responsible for acquiring and preserving the corporate memory of government and documentary heritage of the Province. The Archives is both a deposit library for publications of the Government of Nova Scotia and a historical research facility.

Three trust funds, the Blakely, Fergusson, and Shand, have been endowed to, and are controlled by, the Archives.

2. Significant accounting policies

The accounting policies of the Archives for the Archival Ancillary and Trust funds are established and maintained in accordance with generally accepted accounting principles. Outlined below are those policies considered particularly significant.

Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and movements of funds during the year. Actual results could differ from these estimates.

Fund accounting

The Archives uses fund accounting to prepare its financial statements. Fund balances include balances invested in endowments, equipment and unrestricted balances.

The Archival Ancillary Fund accounts for reprographic and other revenue, recoveries, interest on trust funds and other special items and equipment.

The Endowment Fund, Collections accounts for endowment contributions, assets, liabilities, revenues and expenditures related to the acquisition of collections.

Financial instruments

Financial instruments are stated at cost, or at cost less amounts written off to reflect a permanent decline in value, and where there is a fixed rate of return, accrued interest is included in book value. The fair value of these financial instruments approximates their carrying values, due to the short-term nature of these instruments.

Revenue recognition

The Archives follows the restricted fund method of accounting for contributions, which include designated contributions from the public, bequests and Government support.

Unrestricted contributions are recognized as revenue when received or receivable to the extent that amounts to be received can be estimated and collection is reasonably assured.

Restricted and endowment contributions are recognized as revenue, in the related fund, when received or receivable to the extent that amounts to be received can be estimated and collection is reasonably assured.

Contributions received for projects not completed at year-end are shown as deferred revenue to the extent that contributions exceed expenditures to date on these projects.

Equipment

Purchased equipment is recorded at cost. When an asset no longer contributes to the Archives' ability to provide services, its carrying amount is written down to its residual value.

Equipment is amortized using the following methods at the following rates:

Computer software	straight-line 10 years
Microfilm and computer equipment	straight-line 5 years
Furniture and other office equipment	straight-line 10 years

3. Equipment

	2004			2003
	Cost	Accumulated amortization	Net	Net
Computer software	$ 19,502	$ 7,792	$ 11,710	$ 11,996
Computer equipment	28,197	11,382	16,815	20,232
Microfilm equipment	27,997	20,376	7,621	9,201
Furniture	7,721	1,964	5,757	6,529
Other office equipment	2,795	641	2,154	2,394
	$ 86,212	$ 42,155	$ 44,057	$ 50,352

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Justice

I have audited the balance sheet of the Public Trustee Trust Funds as at March 31, 2004 and the statement of continuity of assets for the year then ended. These financial statements are the responsibility of the Public Trustee. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many trust funds, it is not possible to verify by audit procedure that all the assets of any given trust or income earned on trust assets came under the administration of or were recorded by the Public Trustee. Accordingly, my verification of trust assets was limited to those recorded in the records.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to verify the completeness of assets of the trust funds, these financial statements present fairly, in all material respects, the financial position of the Public Trustee Trust Funds as at March 31, 2004 and the continuity of assets for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 26, 2004

PUBLIC TRUSTEE TRUST FUNDS

Balance Sheet
as at March 31, 2004

ASSETS

	2004	2003
Estates and Trusts		
Cash	$ 1,925,772	$ 330,791
Securities, real estate and other assets (Note 3)	20,909,227	20,211,648
Common Fund securities	2,013,203	2,311,515
	24,848,202	22,853,954
Special Reserve Fund (Note 5)		
Cash and securities	1,521,578	1,429,592
	$ 26,369,780	$ 24,283,546

LIABILITIES

	2004	2003
Estates and Trusts		
Estates and trusts balances	$ 24,848,202	$ 22,853,954
Special Reserve Fund (Note 5)		
Restricted funds	1,459,315	1,363,236
Funds transferable to Province of Nova Scotia	62,263	66,356
	1,521,578	1,429,592
	$ 26,369,780	$ 24,283,546

The accompanying notes are an integral part of these statements.

PUBLIC TRUSTEE TRUST FUNDS

Statement of Continuity of Assets
For The Year Ended March 31, 2004

	Estates and Trusts	Special Reserve Fund	Fees Earned	2004 Total	2003 Total
Balance, beginning of year	$ 22,853,954	$ 1,429,592	$ ---	$ 24,283,546	$ 23,301,924
Add:					
Assets acquired during the year	13,761,537	---	---	13,761,537	12,475,998
Income earned	600,007	---	---	600,007	627,943
Fees earned	---	---	547,675	547,675	488,799
Interest earned on Special Reserve Fund investments	---	62,263	---	62,263	66,356
Excess interest transferred from Common Fund	---	96,079	---	96,079	64,228
	14,361,544	158,342	547,675	15,067,561	13,723,324
Less:					
Distributions of estates and trusts	12,159,993	---	---	12,159,993	12,157,439
Transfers to the Province Fees	---	---	547,675	547,675	488,799
Undistributable estates and trusts (per Section 28)	207,303	---	---	207,303	36,094
Investment income earned on Special Reserve Fund	---	66,356	---	66,356	59,370
	12,367,296	66,356	547,675	12,981,327	12,741,702
Balance, end of year	$ 24,848,202	$ 1,521,578	$ ---	$ 26,369,780	$ 24,283,546

The accompanying notes are an integral part of these statements.

PUBLIC TRUSTEE TRUST FUNDS

Notes to Financial Statements
March 31, 2004

1. Authority

The Office of the Public Trustee was established pursuant to the Public Trustee Act. The Public Trustee is empowered to perform the duties of a guardian, custodian, trustee, and executor or administrator of an estate. All investments by the Public Trustee are to be made in accordance with the Trustee Act.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, modified by the following policies.

a) The Office of the Public Trustee uses a cash basis of accounting. These financial statements do not include accrued interest and other receivables, as well as accrued fees and other payables.

b) The market value of stocks and bonds at year end is not disclosed in the financial statements.

3. Securities, Real Estate and Other Assets

Securities consist of deposit certificates, bonds, debentures and stocks. Securities are valued in a manner which approximates market value at March 31, 2004.

The Public Trustee is responsible for administering certain other assets such as real estate, personal effects and chattels. Real estate is valued at estimated market value based on annual assessments for municipal tax purposes. Personal effects and chattels are valued at estimated market value as at the date control is assumed. If market value is not readily ascertainable, they are each recorded at a nominal value of $1.

4. Common Fund Securities

Section 30 of the Public Trustee Act permits the Public Trustee to invest monies, not subject to any express trust or direction for investment thereof, in a Common Fund. Investments of the Common Fund are valued in a manner which approximates market value at March 31, 2004.

5. Special Reserve Fund

Section 32 of the Public Trustee Act provides for the establishment of a Special Reserve Fund. The purposes of the Fund are to provide for any deficiencies between income earned on investments of the Common Fund and interest required to be paid to estates comprising the Common Fund; and also to provide for any deficiency between the aggregate amount of sums invested and the realized value of investments of the Common Fund.

The Fund consists of investment income earned on Common Fund securities in excess of interest paid to Common Fund estates. Income earned on securities held in the Special Reserve Fund also forms part of the Fund.

Income earned on securities held in the Special Reserve Fund is eligible for transfer to the Province. The remainder of the Fund is restricted to the purposes described above.

6. **Operating Costs**

Operating costs of the Office of the Public Trustee are absorbed by various government departments and are not reflected in the statement of continuity of assets. These costs are offset by fees charged for administering estates and by investment income.

	2004	2003
Department of Justice		
- Salaries and benefits	$ 734,390	$ 641,193
- Other operating costs	55,409	42,834
- Rent	49,449	45,163
	839,248	729,190
Less transfers to Province		
- Fees	547,675	488,799
- Special Reserve Fund income	66,356	59,370
	614,031	548,169
Net cost to the Province	$ 225,217	$ 181,021

AUDITORS' REPORT

To the Board of Directors of the
Resource Recovery Fund Board Inc.

We have audited the statement of financial position of the Resource Recovery Fund Board Inc. as at March 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Resource Recovery Fund Board Inc. as at March 31, 2004 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORTON LLP
Chartered Accountants

Truro, Nova Scotia
May 6, 2004

RESOURCE RECOVERY FUND BOARD INC.

Statement of Operations
Year ended March 31, 2004

	2004	2003
Revenues		
Deposits		
Gross revenues from deposits	$ 29,826,716	$ 28,977,029
Less: Harmonized sales tax	---	(356,777)
	29,826,716	28,620,252
Sales of recyclable materials	3,077,980	3,121,194
Stewardship	961,164	656,202
Tire program	3,055,263	3,032,970
Total revenues	36,921,123	35,430,618
Cost of sales		
Inventory, beginning of year	79,351	91,461
Deposit refunds	12,554,554	11,722,871
Enviro-Depot handling fees	7,457,207	6,980,209
Local cartage	935,980	920,333
Regional processing	894,995	856,606
Freight-in	149,605	140,096
Central processing expenses (Page 482)	647,769	515,678
Non-deposit materials	33,911	137,290
Used tires	2,472,541	2,036,944
Paint program	852,723	702,593
	26,078,636	24,104,081
Less inventory, end of year	84,118	79,351
	25,994,518	24,024,730
Gross margin	10,926,605	11,405,888
Administrative expenses (Page 482)	1,441,003	1,146,454
Operating income	9,485,602	10,259,434
Interest and other income	359,380	307,083
	9,844,982	10,566,517
Equity in net profit (loss) of an affiliated company	37,278	(172,355)
Excess of revenues over expenses	$ 9,882,260	$ 10,394,162

See accompanying notes to the financial statements.

RESOURCE RECOVERY FUND BOARD INC.

Statement of Financial Position
March 31, 2004

	2004	2003
ASSETS		
Current		
Cash and cash equivalents	$ 15,295,688	$ 14,319,338
Receivables	2,924,762	3,244,495
Accrued interest receivable	56,444	32,306
Inventory	84,118	79,351
Note receivable from an affiliated company (Note 3)	185,145	150,000
Prepaids	250,571	133,477
	18,796,728	17,958,967
Investment in affiliated company (Note 4)	241,123	203,845
Equipment (Note 5)	767,937	861,035
Organizational costs, net of accumulated amortization	86,726	113,222
	$ 19,892,514	$ 19,137,069
LIABILITIES		
Current		
Payables and accruals	$ 3,525,625	$ 4,214,494
Municipal solid waste diversion credits payable	6,042,160	5,560,000
Unearned revenue	3,780,600	3,406,300
	13,348,385	13,180,794
NET ASSETS (Page 477)		
Invested in capital assets	854,663	974,257
Invested in value-added manufacturing	241,123	203,845
Restricted for future projects	3,195,344	1,995,344
Restricted for approved programs	2,252,999	2,782,829
	6,544,129	5,956,275
	$ 19,892,514	$ 19,137,069

Commitments (Note 7)

See accompanying notes to the financial statements.

RESOURCE RECOVERY FUND BOARD INC.

Statement of Changes in Net Assets
Year Ended March 31, 2004

Net Assets	Invested in Capital Assets	Invested in Value-added Manufacturing	Restricted for Future Projects	Restricted for Approved Programs	Net Revenues	Total 2004	Total 2003
Balance, beginning of year.......	$ 974,257	$ 203,845	$ 1,995,344	$ 2,782,829	$ ---	$ 5,956,275	$ 4,734,009
Excess of revenue over expenses...............	(307,017)	37,278	---	---	10,151,999	9,882,260	10,394,162
Investment in capital assets......	187,423	---	---	---	(187,423)	---	---
	854,663	241,123	1,995,344	2,782,829	9,964,576	15,838,535	15,128,171
Internally imposed restrictions...	---	---	---	4,982,288	(4,982,288)	---	---
Payments during the year							
Education and awareness......	---	---	---	(1,380,051)	---	(1,380,051)	(1,164,460)
Regional co-ordinators........	---	---	---	(244,500)	---	(244,500)	(242,500)
Approved programs..........	---	---	1,200,000	(2,082,829)	359,872	(522,957)	(1,204,936)
Nova Scotia Department of Environment & Labour........	---	---	---	(996,500)	---	(996,500)	(1,000,000)
Derelict vehicle program........	---	---	---	(69,527)	---	(69,527)	---
Household hazardous waste program..............	---	---	---	(38,711)	---	(38,711)	---
Allocation to Municipal solid waste diversion payable.......	---	---	---	---	(5,342,160)	(5,342,160)	(5,560,000)
Special Municipal allocation.....	---	---	---	(700,000)	---	(700,000)	---
Balance, end of year..........	$ 854,663	$ 241,123	$ 3,195,344	$ 2,252,999	$ ---	$ 6,544,129	$ 5,956,275

See accompanying notes to the financial statements

RESOURCE RECOVERY FUND BOARD INC.

Statement of Cash Flows
year ended March 31, 2004

	2004	2003
Increase (decrease) in cash and cash equivalents:		
Operating		
Excess of revenues over expenses	$ 9,882,260	$ 10,394,162
Equity in net profit/loss of affiliated company	(37,278)	172,355
Depreciation and amortization	302,889	280,147
Loss on sale of equipment	4,129	4,137
	10,152,000	10,850,801
Change in non-cash operating working capital		
Receivables	295,595	(168,720)
Inventory	(4,767)	12,110
Prepaids	(117,094)	(91,207)
Payables and accruals	(206,709)	1,294,429
Unearned revenue	374,300	(96,100)
	10,493,325	11,801,313
Investing		
Proceeds from sale of equipment	17,134	1,279
Purchase of		
Equipment	(204,558)	(379,249)
Organizational costs	---	(100,753)
Investment in value-added manufacturing	---	(369,200)
Issuance of note receivable to an affiliated company	(35,145)	(150,000)
	(222,569)	(997,923)
Allocation of net assets to:		
Municipal solid waste diversion	(5,342,160)	(5,560,000)
Approved programs	(3,952,246)	(3,611,896)
	(9,294,406)	(9,171,896)
Net increase in cash and cash equivalents	976,350	1,631,494
Cash and cash equivalents,beginning of year	14,319,338	12,687,844
Cash and cash equivalents, end of year	$ 15,295,688	$ 14,319,338

See accompanying notes to the financial statements.

RESOURCE RECOVERY FUND BOARD INC.

Notes to the Financial Statements
March 31, 2004

1. Nature of operations

The Resource Recovery Fund Board Inc. is a not-for-profit company established by the Nova Scotia government to develop and administer industry stewardship programs that increase diversion, enable the establishment of new industries based on the processing of materials diverted from the waste stream, and provide incentives to the people of Nova Scotia to reduce, reuse, recycle and compost.

2. Summary of significant accounting policies

Depreciation

Rates and bases of depreciation applied to write-off the cost of equipment over their estimated lives are as follows:

Field equipment	20%, straight-line
Office and warehouse equipment	20%, straight-line
Computer hardware and software	33 1/3%, straight-line
Containers	
- Bags	33 1/3%, straight-line
- Tubs	10%, straight-line
Vehicles	33 1/3%, straight-line

Inventory

Inventory is valued at the lower of cost and net realizable value.

Unearned revenue

Unearned revenue represents deposits received from distributors for beverage containers that have not been returned for redemption. Unearned revenue consists of deposits received in the last sixty (60) days adjusted by the current year return rate.

Organizational costs

Organizational costs for new programs are amortized on a straight line basis over five years.

Income taxes

The organization is exempt from income taxes under Section 149(l)(d) of the Canadian Income Tax Act.

Revenue recognition

Resource Recovery Fund Board Inc. follows the deferral method of accounting for revenue.

Investment in affiliated company

The organization accounts for its investment in an affiliated company using the equity method.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term investments with maturity dates of 90 days or less. Bank borrowings are considered to be financing activities.

Financial instruments

Financial instruments include cash and cash equivalents, receivables, investment in affiliated company, note receivable from an affiliated company, payables and accruals and municipal solid waste diversion credits payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair market value of these financial instruments are at least their carrying values.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from those estimates.

3. Note receivable from an affiliated company

	2004	2003
Note receivable from Novapet Inc., due March 31, 2005, bearing interest at the prime commercial lending rate	$ 163,865	$ 150,000
Non-interest bearing note receivable from Novapet Inc., due March 31, 2005	21,280	—
	$ 185,145	$ 150,000

4. Investment in affiliated company

Resource Recovery Fund Board Inc. has a 60.8% ownership in Novapet Inc., a company that processes polyethylene terephthalate (PET) plastic beverage bottles into a flake for resale.

Novapoet Inc. is accounted for in the Resource Recovery Fund Board Inc.'s financial statements using the equity method. Financial summaries of Novapet Inc. as at March 31, 2004 are as follows:

Financial Position

Total assets	$ 1,275,904
Total liabilitites	$ 801,491
Shareholders' equity	474,413
	$ 1,275,904

Results of Operations

Total revenues	$ 4,070,350
Total costs of goods sold and expenses	4,009,038
Net profit	$ 61,312

Cash Flows

Cash from operations	$ 71,997
Cash used in financing activities	(72,849)
Cash used in investing activities	(124,652)
Increase in cash and cash equivalents	$ (125,504)

5. Equipment

	Cost	Accumulated Depreciation	2004 Net Book Value	2003 Net Book Value
Field Equipment	$ 224,775	$ 133,259	$ 91,516	$ 102,256
Office and warehouse equipment	97,138	84,094	13,044	14,852
Leasehold Improvements	12,407	7,732	4,675	6,451
Containers	1,262,938	720,891	542,047	591,099
Computer hardware and software	462,287	421,727	40,560	64,640
Vehicles	170,441	94,346	76,095	81,737
	$ 2,229,986	$ 1,462,049	$ 767,937	$ 861,035

6. Banking facilities

The company has an operating line of credit of $2,500,000, all of which is unused at March 31, 2004.

7. Commitment

The company has entered into agreements to lease office space and a warehouse. Minimum rent payable for the next three years on these leases are as follows:

2005	$ 99,088
2006	$ 96,164
2007	$ 10,067

8. Subsequent event

On April 30, 2004, the organization purchased land and a building in Amherst, Nova Scotia in the amount of $1,100,000. The organization assumed the lease of this property to Novapet Inc.

9. Related party transactions

During the year, the organization had the following transactions with an affiliated company:

(a) Sold polyethylene terephthalate (PET) plastic beverage bottles in the amount of $681,457 (2003 - $562,992) to an affiliated company. Included in trade accounts receivable is $79,395 (2003 - $104,491) owing from an affiliated company relating to these sales.

(b) During the year, the organization has accrued interest revenue of $11,958 (2003 - $5,000) from an affiliated company.

(c) Included in payables is $44,213 (2003 - $66,667) owing to an affiliated company.

(d) Included processing fees of $29,200 (2003 - $29,200) to an affiliated company.

RESOURCE RECOVERY FUND BOARD INC.

Schedule of Central Processing Expenses
Year Ended March 31, 2004

	2004	2003
Building expenses	$ 39,947	$ 38,387
Depreciation and amoritzation	187,921	160,349
Insurance	1,774	919
Meetings and travel	24,158	11,436
Postage, delivery and office	13,059	7,892
Propane - forklift	2,683	2,511
Repairs and maintenance - bulk bags	58,021	43,586
Repairs and maintenance - equipment	2,787	4,768
Salaries and benefits	262,368	201,788
Shipping supplies	40,397	34,576
Telecommunications	9,642	8,383
Vehicle expense	5,012	1,083
	$ 647,769	$ 515,678

Schedule of Administrative Expenses
Year Ended March 31, 2004

	2004	2003
Bad debt	$ 17,144	$ ---
Bank charges and interest	5,931	12,347
Board fees and expenses	75,587	59,281
Building expenses	68,678	92,379
Depreciation and amortization	110,811	81,032
Dues and fees	10,056	5,310
Equipment lease or rent	4,919	3,803
Insurance	7,855	5,772
Meetings and travel	63,613	61,154
Office expense	21,427	14,445
Postage and delivery	12,673	14,087
Printing and stationery	6,629	7,752
Professional fees	81,035	97,618
Public relations	109,922	55,720
Salaries and benefits	746,610	525,836
Software development and support	49,679	69,721
Telecommunications	36,037	31,900
Training	6,390	5,568
Vehicle expense	6,007	2,729
	$ 1,441,003	$ 1,146,454

AUDITORS' REPORT

To the Members of the
Sherbrooke Restoration Commission

We have audited the balance sheet of Sherbrooke Restoration Commission as at March 31, 2004 and the statements of operations, fund balances, and cash flows for the year then ended. These financial statements have been prepared to comply with accounting principles adopted for museum boards in the province of Nova Scotia. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2004, and the results of its operations and cash flows for the year then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the members of the Sherbrooke Restoration Commission and the Province of Nova Scotia to comply with accounting principles adopted for museum boards in Nova Scotia. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

DELOITTE & TOUCHE LLP
Chartered Accountants

April 30, 2004

SHERBROOKE RESTORATION COMMISSION

Balance Sheet
as at March 31, 2004

	2004	2003 (Restated) See Note 6)
ASSETS		
Current		
Cash	$ 47,183	$ 56,988
Guaranteed Investment Certificate - restricted (Note 3)	24,223	63,196
Accounts receivable	49,114	44,971
Inventory	123,710	122,145
Prepaid expense	4,476	1,915
	248,706	289,215
Capital assets	4,397,516	4,396,320
	$ 4,646,222	$ 4,685,535
LIABILITIES AND EQUITY		
Current		
Accounts payable	$ 124,111	$ 123,293
Equity		
Investment in capital assets	4,397,516	4,396,320
Reserve for development (Note 3)	24,223	63,196
Operating fund surplus	100,372	102,726
	4,522,111	4,562,242
	$ 4,646,222	$ 4,685,535

Statement of Operations
Year Ended March 31, 2004

	2004 Budget	2004 Actual	2003 Actual
Revenue			
Operating grants			
Board of Governors of the Nova Scotia Museum	$ 919,615	$ 919,610	$ 919,453
Program revenue (Schedule 2)	329,000	344,295	365,176
Other			
Gate admissions	135,000	113,449	128,856
Government grants	---	23,370	26,547
Interest	7,000	5,727	5,051
Miscellaneous	53,315	4,912	9,330
	195,315	147,458	169,784
Total revenue	1,443,930	1,411,363	1,454,413
Expenditures			
General operating (Schedule 1)	575,345	612,674	584,453
Program (Schedule 2)	814,085	797,346	872,135
Capital	54,500	42,670	35,845
Total expenditures	1,443,930	1,452,690	1,492,433
Excess of expenditures over revenue	$ ---	$ (41,327)	$ (38,020)

SHERBROOKE RESTORATION COMMISSION

Statement of Fund Balances
Year Ended March 31, 2004

INVESTMENT IN CAPITAL ASSETS

	2004	2003 (Restated See Note 6)
Balance, beginning of year	$ 4,396,320	$ 4,322,726
Additions		
Furnishings and equipment	1,196	1,548
Renovations funded out of operations, net	---	35,845
Transfer from reserve for development	---	36,201
	1,196	73,594
Balance, end of year	$ 4,397,516	$ 4,396,320

OPERATING FUND SURPLUS

	2004	2003 (Restated See Note 6)
Balance, beginning of year, as previously reported	$ 129,226	$ 168,066
Prior period adjustment (Note 6)	(26,500)	(26,500)
Balance beginning of year, restated	102,726	141,566
Excess of expenditures over revenue	(41,327)	(38,020)
	61,399	103,546
Transfer from (to) reserve for development (Note 3)	38,973	(820)
Balance, end of year	$ 100,372	$ 102,726

RESERVE FOR DEVELOPMENT (Note 3)

	2004	2003 (Restated See Note 6)
Balance, beginning of year	$ 63,196	$ 98,577
Transfer from operating fund surplus	---	820
	63,196	99,397
Transfer to investments in capital assets	---	36,201
Transfer to operating fund surplus (Note 3)	38,973	---
Balance, end of year	$ 24,223	$ 63,196

SHERBROOKE RESTORATION COMMISSION

Statement of Cash Flows
Year Ended March 31, 2004

	2004	2003
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of expenditures over revenues	$ (41,327)	$ (38,020)
Capital expenditures charged to operations	1,196	37,393
	(40,131)	(627)
Changes in non-cash working capital items (Note 5)	(7,451)	58,337
	(47,582)	57,710
Investing		
Additions to capital assets	(1,196)	(73,594)
Investment in guaranteed investment certificate	---	(820)
Net proceeds from guaranteed investment certificate	38,973	36,201
	37,777	(38,213)
Net cash (outflow) inflow	(9,805)	19,497
Cash position , beginning of year	56,988	37,491
Cash position , end of year	$ 47,183	$ 56,988

	2004	2003
Represented by:		
Cash	$ 47,183	$ 56,988

SHERBROOKE RESTORATION COMMISSION

Notes to the Financial Statements
Year Ended March 31, 2004

1. DESCRIPTION OF OPERATIONS

The Commission operates the Sherbrooke Village Restoration Project. It is accountable to the Board of Governors of the Nova Scotia Museum for all disbursements made out of monies received by the Commission.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with accounting principles adopted for museum boards in the Province of Nova Scotia. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because amortization is not recorded on capital assets and capital expenditures are included in the statement of operations.

a) Fund Accounting

The assets and liabilities of the Commission are segregated into three funds - Operating Investment in Property, Buildings and Furnishings and Reserve for Development. The Operating Fund assets and liabilities are those which are used for the general operations of the Commission. The Investment in Property, Buildings and Furnishings Fund comprises assets of enduring benefit and any related debt.

b) Capital Assets

Capital assets reflect all expenditures of the Commission from June 15, 1971 to March 31, 1974 and all expenditures of a capital nature thereafter. These capital expenditures have been made by the Commission on behalf of the Province of Nova Scotia, with the Province being the beneficial owner of the assets.

c) Inventory

Inventories of finished goods for resale and raw materials are accounted for at the lower of cost and net realizable value.

d) Cash

Cash consists of amounts held at financial institutions.

e) Financial Instruments

The carrying values of the Commission's financial instruments approximate fair value due to the short-term maturity and normal credit terms of those instruments.

f) Use of Estimates

The preparation of financial statements in confirmity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. GUARANTEED INVESTMENT CERTIFICATE

During the year, the Sherbrooke Restoration Commission had net redemptions of $38,973 in the Sherbrooke Village Development Fund. This brings the total of internally restricted cash to $24,223. This fund will be for capital items that will fulfil the long-term objectives of the Commission, such as enhancements. The cash from redemptions was used to help cover the deficit.

4. PENSION PLAN

The Commission has a defined benefit pension plan which covers all permanent employees. The plan is contributory and provides retirement benefits based on length of service and average earnings as defined. The most recent actuarial valuation covered the financial position of the plan as at December 31, 2003.

Information about the Commission's pension plan is as follows:

	2003	2002
Fair value of plan assets	$ 879,190	$ 802,000
Accrued benefit obligation	963,239	742,000
Funded status - plan surplus (deficit)	$ (84,049)	$ 60,000
Accrued benefit liability	$ 35,236	$ 6,397

The significant actuarial assumptions adopted in valuing the plan are:

Discount rate	6.5%
Rate of compensation increase	3.5%
Expected return on plan assets	7.0%

Other relevant disclosures include:

	2004	2003
Plan contributions	$ 31,254	$ 33,089
Benefits paid	$ 7,707	$ ---

The significant actuarial assumptions adopted in measuring the Commission's accrued benefit obligations at January 1, 2001 are as follows:

Expected long-term rate of return on plan assets	7%
Rate of compensation increases	4.5%

Pension expense for the year ended March 31, 2004 is $59,827. Included in accounts payable is an accrued benefit liability of $35,236.

5. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	2004	2003
Accounts receivable	$ (4,143)	$ 17,620
Inventory	(1,565)	5,466
Prepaid expenses	(2,561)	(238)
Accounts payable	818	35,489
	$ (7,451)	$ 58,337

6. PRIOR PERIOD ADJUSTMENT

Comparative accounts payable and beginning operating fund surplus have been restated to recognize accruals relating to vacation and illness benefits.

SHERBROOKE RESTORATION COMMISSION

Schedule 1

Schedule of General Operating Expenditures
Year Ended March 31, 2004

	2004 Budget	2004 Actual	2003 Actual
Advertising and brochures	$ 23,000	$ 37,080	$ 20,071
Freight	1,500	504	623
Heat, light and power	66,000	57,066	70,605
Insurance and taxes	4,800	3,437	4,980
Interest and bank charges	2,600	3,040	2,207
Maintenance supplies	18,000	17,599	21,395
Miscellaneous	7,200	7,978	5,054
Motor vehicles	5,000	4,605	5,899
Office supplies and postage	16,500	9,354	13,823
Sewer and water	40,000	36,225	36,100
Professional fees	7,000	8,168	8,202
Property maintenance and security salaries	102,385	115,090	109,760
Pension plan and other benefits	84,000	105,315	81,918
Salaries and wages - Administration	139,360	137,183	135,722
Staff and Commission training and travel	18,000	16,507	22,221
Special projects wages	---	22,794	15,216
Telephone	16,000	13,838	12,365
Workers' compensation	24,000	16,891	18,292
	$ 575,345	$ 612,674	$ 584,453

Schedule of Program Revenue and Expenditures
Year Ended March 31, 2004

Schedule 2

	2004 Budget	2004 Net Expenditures	2003 Net Expenditures
Blacksmith shop	$ 10,945	$ 12,736	$ 11,317
Boat shop	800	---	---
Costume shop	26,150	23,096	26,399
Craft shop	27,710	27,903	32,017
Emporium (Schedule 3)	(36,500)	(27,147)	(27,591)
Exhibit operations	1,200	104	247
Jordan barn	36,915	43,405	46,224
Pottery shop	27,700	24,175	33,715
Program management	80,675	74,790	77,362
Restaurant	(2,000)	(556)	(2,458)
Print shop	500	(722)	(460)
Sawmill operations	27,020	19,029	28,568
Ambrotype Studio	10,500	5,975	7,226
Turner shop	23,190	18,614	15,532
Woodworking shop	23,790	262	17,503
Education program	(38,000)	(23,142)	(29,114)
Guides	249,480	254,298	268,159
Riverfront project, St. Mary's Boat Club	---	1,198	903
Theatre program	15,010	(967)	1,410
	$ 485,085	$ 453,051	$ 506,959
Program expenditures	$ 814,085	$ 797,346	$ 872,135
Less: Program revenue	329,000	344,295	365,176
Net expenditures	$ 485,085	$ 453,051	$ 506,959

SHERBROOKE RESTORATION COMMISSION

Schedule 3

Schedule of Retail Operations
Year Ended March 31, 2004

	2004	2003
Revenue		
Sales	$ 141,060	$ 160,936
Cost of goods sold		
Merchandise inventory, opening	36,381	30,824
Purchases	81,548	108,105
Merchandise available for sale	117,929	138,929
Less: Merchandise inventory, ending	34,110	36,381
Cost of goods sold	83,819	102,548
Gross profit on sales	57,241	58,388
Expenses		
Salaries and wages	25,906	26,791
General expense	4,188	4,006
	30,094	30,797
Net retail income	$ 27,147	$ 27,591

AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of
South Shore District Health Authority

We have audited the statement of financial position of the South Shore District Health Authority as at March 31, 2004 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the District Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the District Health Authority as at March 31, 2004 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

June 2, 2004

SOUTH SHORE DISTRICT HEALTH AUTHORITY

Statement of Operations
For the Year Ended March 31, 2004

	Operating Fund	Capital Fund	2004 Total	2003 Total
Revenue				
Department of Health funding $	43,001,954 $	--- $	43,001,954 $	39,261,134
Veterans Affairs Canada	2,111,260	---	2,111,260	1,748,464
Patient	1,577,640	---	1,577,640	1,193,338
Physician funding	2,482,027	---	2,482,027	2,194,661
Program recoveries	2,979,119	---	2,979,119	1,723,471
Amortization of deferred capital grants	---	2,749,827	2,749,827	2,713,744
Other	642,836	8	642,844	527,337
	52,794,836	2,749,835	55,544,671	49,362,149
Expenses				
Administration and support	2,017,903	---	2,017,903	1,750,848
Addiction	1,695,931	---	1,695,931	1,506,595
Diagnostic imaging	2,494,191	---	2,494,191	2,392,053
Environmental	1,964,886	---	1,964,886	1,692,453
Finance	614,711	---	614,711	587,125
Food and nutrition	2,339,711	---	2,339,711	2,245,999
Health information	1,432,158	---	1,432,158	1,311,218
Human resources	429,995	---	429,995	358,412
Information technology	1,093,041	---	1,093,041	855,081
Laboratory	3,235,830	---	3,235,830	3,002,258
Materials management	1,174,860	---	1,174,860	1,073,989
Mental health	3,662,750	---	3,662,750	3,326,064
Nursing	21,338,198	---	21,338,198	19,703,007
Pharmacy	642,401	---	642,401	622,420
Plant and support	3,158,320	---	3,158,320	2,682,676
Public health	1,092,862	---	1,092,862	1,022,490
Rehabilitation	957,234	---	957,234	818,384
Other programs	1,942,244	---	1,942,244	1,113,168
Employee future benefits	1,430,811	---	1,430,811	291,794
Amortization of property, plant and equipment	---	2,728,546	2,728,546	2,727,936
Sundry	257,435	(200)	257,235	231,368
	52,975,472	2,728,346	55,703,818	49,315,338
(Deficiency) excess of revenues over expenses $	(180,636) $	21,489 $	(159,147) $	46,811

SOUTH SHORE DISTRICT HEALTH AUTHORITY

Statement of Financial Position
as at March 31, 2004

	Operating Fund	Capital Fund	2004 Total	2003 Total
		ASSETS		
Current				
Cash and cash equivalents	$ 3,637,283	$ (1,486,476)	$ 2,150,807	$ 2,472,921
Accounts receivable (Note 3)	4,669,180	3,296,180	7,965,360	5,818,834
Inventory	564,863	---	564,863	527,314
Prepaid expenses	368,886	---	368,886	271,056
	9,240,212	1,809,704	11,049,916	9,090,125
Long-term assets (Note 4)	3,907,866	6,165	3,914,031	2,771,412
Property, plant and equipment (Note 5)	---	27,238,608	27,238,608	26,684,172
	$ 13,148,078	$ 29,054,477	$ 42,202,555	$ 38,545,709
		LIABILITIES		
Current				
Accounts payable and accrued liabilities (Note 7)	$ 7,123,996	$ 1,255,811	$ 8,379,807	$ 7,047,025
Revenue received in advance	2,423,740	---	2,423,740	1,694,226
	9,547,736	1,255,811	10,803,547	8,741,251
Employee future benefits (Note 12)	3,772,614	---	3,772,614	2,492,217
Deferred capital grants (Note 8)	---	27,741,126	27,741,126	27,267,826
	13,320,350	28,996,937	42,317,287	38,501,294
		FUND BALANCES		
Restricted (Page 495)	8,364	---	8,364	8,364
Unrestricted (Page 495)	(180,636)	57,540	(123,096)	36,051
	(172,272)	57,540	(114,732)	44,415
	$ 13,148,078	$ 29,054,477	$ 42,202,555	$ 38,545,709

Commitments (Note 9)
Contingency (Note 13)

SOUTH SHORE DISTRICT HEALTH AUTHORITY

Statement of Changes in Fund Balances
For the Year Ended March 31, 2004

	Operating Fund	Capital Fund	2004 Total	2003 Total
Restricted Fund Balances	$ 8,364	$ ---	$ 8,364	$ 8,364
Unrestricted Fund Balances				
Balance, beginning of year	---	36,051	36,051	(10,760)
(Deficiency) excess of revenues over expenses (Page 493)	(180,636)	21,489	(159,147)	46,811
Balance, end of year	(180,636)	57,540	(123,096)	36,051
Total Fund Balances.	$ (172,272)	$ 57,540	$ (114,732)	$ 44,415

SOUTH SHORE DISTRICT HEALTH AUTHORITY

Statement of Cash Flows
For the Year Ended March 31, 2004

	Operating Fund	Capital Fund	2004 Total	2003 Total
Net inflow (outflow) of cash related to the following activities:				
Operating				
(Deficiency) excess of revenues over expenses	$ (180,636)	$ 21,489	$ (159,147)	$ 46,811
Adjusted for:				
Amortization of property, plant and equipment (Page 493)	---	2,728,546	2,728,546	2,727,936
Amortization of deferred capital grants (Page 493)	---	(2,749,827)	(2,749,827)	(2,713,744)
Employee future benefits (Note 12)	1,430,811	---	1,430,811	291,794
Changes in non-cash working capital items (Note 11)	607,079	(826,688)	(219,609)	3,193,984
Payment of employee future benefits	(150,414)	---	(150,414)	(55,708)
	1,706,840	(826,480)	880,360	3,491,073
Financing				
Proceeds from capital grants (Note 8)	---	3,223,127	3,223,127	3,163,398
Repayment of long-term debt	---	---	---	(551,597)
	---	3,223,127	3,223,127	2,611,801
Investing				
Investment in long-term assets	(1,136,454)	(6,165)	(1,142,619)	(149,041)
Acquisition of property, plant and equipment	---	(3,282,982)	(3,282,982)	(2,587,645)
	(1,136,454)	(3,289,147)	(4,425,601)	(2,736,686)
Net cash inflow	570,386	(892,500)	(322,114)	3,366,188
Cash and cash equivalents (bank indebtedness), beginning of year	3,066,897	(593,976)	2,472,921	(893,267)
Cash and cash equivalents (bank indebtedness), end of year	$ 3,637,283	$ (1,486,476)	$ 2,150,807	$ 2,472,921

Supplemental cash flow information:

	Operating Fund	Capital Fund	2004 Total	2003 Total
Interest (recovered) paid	$ (55,631)	$ 19,910	$ (35,721)	$ 13,771

SOUTH SHORE DISTRICT HEALTH AUTHORITY

Notes to the Financial Statements
Year Ended March 31, 2004

1. DESCRIPTION OF ORGANIZATION

The South Shore District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000 The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The South Shore District Health Authority's mission: "Work with individuals, families and communities to prevent illness, provide care and improve the health of those we serve".

The facilities owned and operated by the District Health Authority are the Fishermen's Memorial Hospital, South Shore Regional Hospital and Queens General Hospital. In addition, the District Health Authority leases space in other locations to operate certain programs throughout Lunenburg and Queens counties and supports two Community Health Boards.

The South Shore District Health Authority is a registered charity under the Income Tax Act of Canada and, therefore, is exempt from income tax.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies and include the following significant accounting policies:

a) Fund Accounting

Revenue and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to the South Shore District Health Authority's capital assets and special purposes and endowment funds.

b) Revenue Recognition

The South Shore District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted capital fund balances.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

d) Inventory

Inventories are recorded at the lower of average cost and replacement cost and includes stores, pharmacy drugs, medical/surgical, and other general inventory.

e) Property, Plant and Equipment

Purchased capital assets are recorded in the capital fund at cost. Contributed capital assets are recorded in the capital fund at fair value at the date of contribution. Capital assets transferred from Western Regional Health Board are recorded at original cost less accumulated amortization. Amortization is provided on a straight-line basis at the following annual rates:

Land improvements	5 - 10%
Building and building service equipment	2.5 - 10%
Equipment	5 - 33%
Equipment under capital lease	5 - 20%

f) Deferred Capital Grants

Deferred contributions reported in the capital fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as amortization of the related assets.

g) Employee Future Benefits

Employee future benefits are determined based on assumtions as outlined in Note 12 and recognized in the period in which benefits are earned by the employee.

h) Use of Estimates

The Preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenues and expenses for the year then ended. Actual results may differ from those estimates.

3. ACCOUNTS RECEIVABLE

	Operating Fund	Capital Fund	2004 Total	2003 Total
Department of Health				
Operating funding	$ 2,262,330	$ ---	$ 2,262,330	$ 2,768,648
Transition support program	33,008	---	33,008	171,250
Capital grants	---	2,647,187	2,647,187	---
Veterans Affairs Canada	424,186	3,530	427,716	36,426
Patient care	512,343	---	512,343	400,900
HST rebates	191,698	162,377	354,075	243,523
Extended care facilities	34,344	---	34,344	34,911
Homecare/VON	34,862	---	34,862	37,493
Charitable foundations	49,459	456,796	506,255	2,001,441
Psychiatric recoveries	60,643	---	60,643	92,445
Other	1,066,307	26,290	1,092,597	31,797
	$ 4,669,180	$ 3,296,180	$ 7,965,360	$ 5,818,834

4. LONG-TERM ASSETS

	Operating Fund	Capital Fund	2004 Total	2003 Total
Payroll advances . . . . $	135,252	---	135,252	149,535
Employee future benefits	3,772,614	---	3,772,614	2,524,455
Other	---	6,165	6,165	97,422
$	3,907,866 $	6,165 $	3,914,031 $	2,771,412

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2004	Net Book Value 2003
Land and land improvements . . . . $	1,107,571 $	663,074 $	444,497 $	413,514
Building and building service equipment	39,163,958	16,121,735	23,042,223	21,554,802
Equipment	27,620,642	24,014,681	3,605,961	4,409,567
Equipment under capital lease.	1,313,835	1,167,908	145,927	306,289
$	69,206,006 $	41,967,398 $	27,238,608 $	26,684,172

6. CREDIT FACILITIES

The District Health Authority has available operating lines of credit with a Canadian chartered bank totalling $3.1 million. As well, the District Health Authority has available a capital line of credit in the amount of $675,000 with a Canadian chartered bank. As of March 31, 2004, interest charges on any overdraft accounts are prime less .75%. There were no amounts owing on these lines at March 31, 2004 as the consolidated bank balance (South Shore District Health Authority, South West Nova District Health Authority, and the Annapolis Valley District Health Authority) was positive. Subsequent to year-end, capital bank indebtedness was elimiated through the collection of receivables.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Operating Fund	Capital Fund	2004 Total	2003 Total
Trade payables . . . . $	891,775 $	678,822 $	1,570,597 $	851,815
Accrued liabilities	996,428	563,989	1,560,417	1,279,688
Vacation pay.	2,865,063	---	2,865,063	2,726,643
Salary and benefits	2,331,792	---	2,331,792	2,149,826
Other	38,938	13,000	51,938	39,053
$	7,123,996 $	1,255,811 $	8,379,807 $	7,047,025

8. DEFERRED CAPITAL GRANTS

	2004	2003
Balance, beginning of period	$ 27,267,826	$ 26,818,172
Grant received for:		
Capital assets purchased	2,959,127	2,696,169
Future capital asset purchases	---	467,229
Donated asset	264,000	---
	30,490,953	29,981,570
Amortization of deferred capital grants	(2,749,827)	(2,713,744)
Balance, end of period	$ 27,741,126	$ 27,267,826

9. COMMITMENTS

Leases and Purchase Commitments

The South Shore District Health Authority has committed funds from operations for the purchase of lab reagents, occupancy and equipment leases. Estimated minimum lease payments over the next five years are expected to be as follows:

2005	2006	2007	2008	2009
$ 677,389	$ 374,400	$ 332,400	$ 283,837	$ ---

10. PENSION PLAN

The South Shore District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted December 31, 2000 and showed an unfunded liability for the entire plan of $ nil.

The second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2003. At this time, there was an unfunded liabililty. South Shore District Health Authority bears no direct financial responsibility for the unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2004 was $1,655,902 (2003 - $1,451,460).

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Operating Fund	Capital Fund	2004 Total	2003 Total
Accounts receivable	$ (886,588)	$ (1,259,938)	$ (2,146,526)	$ 2,887,501
Inventory	(37,549)	---	(37,549)	2,798
Prepaid expenses	(97,830)	---	(97,830)	119,794
Accounts payable and accrued liabilities	899,532	433,250	1,332,782	173,387
Revenue received in advance	729,514	---	729,514	10,504
	$ 607,079	$ (826,688)	$ (219,609)	$ 3,193,984

12. EMPLOYEE FUTURE BENEFITS

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the South Shore District Health Authority, upon retirement. The most recent actuarial valuation was for the year ended December 31, 2003. Actuarial liabilities as at March 31, 2004 were exprapolated from the results of the December 31, 2003 actuarial valuation.

The financial position of the program is as follows:

Continuity Schedule	**2004**	**2003**
Liability, beginning of year	$ 2,492,217	$ 2,256,131
Current service costs	261,400	152,600
Interest on liability	219,800	148,100
Benefits paid out to retirees	(150,414)	(55,708)
Current year amortized actuarial loss (gain)	7,511	(8,906)
Amendement in plan terms	942,100	---
Liability, end of year	$ 3,772,614	$ 2,492,217

Significant actuarial assumptions were adopted in measuring the financial position of the program as at March 31, 2004 using the projected benefit method based on membership information provided by the Nova Scotia Association of Health Organizations ("NSAHO") as of December 31, 2003. The discount rate used was 6.17% and the salary growth rate 3.65% per year, plus promotional scale. Amortization is calculated over the expected average remaining service life of the employee group covered by the plans, namely 12.0 years. The net expenditure related to these employee future benefits was $1,430,811 (2003 - $ 291,794) for the year.

During the year, retirement benefits were amended to reflect revised plan provisions resulting in an addition to the liability of $942,100.

All accumulated liabilities of the retiring allowance program of the South Shore District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2004.

13. CONTINGENCY

The South Shore District Health Authority is aware of a Veterans Affairs Canada operating cost review for Fisherman's Memorial Hospital for the fiscal years 1993 - 1998 during which it was operated by the Health Services Association of the South Shore and the Western Regional Health Board. It is not determinable when a formal report will be received by the Authority. A reasonable estimate of the contingency cannot be established given the time elapsed since the review and therefore no liability has been recorded in the financial statements.

14. FINANCIAL INSTRUMENTS

Fair Value

The reported values of financial instruments which consist of cash and cash equivalents, short - term investments, accounts receivable and accounts payable and accrued liabilities, approximate their fair values due to the near term maturity of these instruments.

Credit Risk

The South Shore District Health Authority performs a continuous evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2004.

AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of
South West Nova District Health Authority

We have audited the statement of financial position of the South West Nova District Health Authority as at March 31, 2004 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the District Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the District Health Authority as at March 31, 2004 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

June 2, 2004

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

Statement of Operations
for the year ended March 31, 2004

	Operating Fund	Capital Fund	2004 Total	2003 Total
Revenue				
Department of Health funding	$ 52,971,354	$ —	$ 52,971,354	$ 47,574,517
Veterans Affairs Canada	1,438,867	—	1,438,867	1,356,138
Patient	1,211,127	—	1,211,127	1,190,503
Physician funding	1,996,508	—	1,996,508	1,598,081
Program recoveries	4,078,653	—	4,078,653	3,546,094
Amortization of deferred capital grants	—	3,790,724	3,790,724	3,317,295
Other	769,548	9	769,557	336,447
	62,466,057	3,790,733	66,256,790	58,919,075
Expenses				
Administration and support	2,288,693	—	2,288,693	2,067,450
Addiction	1,791,345	—	1,791,345	1,335,217
Diagnostic imaging	2,651,329	—	2,651,329	2,535,132
Environmental	2,831,338	—	2,831,338	2,579,410
Finance	746,080	—	746,080	693,138
Food and nutrition	4,206,940	—	4,206,940	4,097,355
Health information	1,446,164	—	1,446,164	1,390,090
Human resources	576,891	—	576,891	483,058
Information technology	1,326,632	—	1,326,632	1,357,401
Laboratory	4,263,075	—	4,263,075	3,922,466
Materials management	1,419,310	—	1,419,310	1,311,058
Mental health	3,307,596	—	3,307,596	3,077,215
Nursing	24,557,077	—	24,557,077	22,578,522
Pharmacy	605,589	—	605,589	561,070
Plant and support	4,312,115	—	4,312,115	4,426,676
Rehabilitation	860,045	—	860,045	778,680
Other programs	1,973,462	—	1,973,462	1,639,975
Public health	1,717,999	—	1,717,999	1,558,004
Employee future benefits	1,834,183	—	1,834,183	378,158
Amortization of property, plant and equipment	—	3,878,686	3,878,686	3,484,384
Sundry	224,000	5,547	229,547	286,849
	62,939,863	3,884,233	66,824,096	60,541,308
Deficiency of revenues over expenses before deficit funding	(473,806)	(93,500)	(567,306)	(1,622,233)
Operating deficit funding received from Department of Health	—	—	—	1,440,634
Deficiency of revenues over expenses	$ (473,806)	$ (93,500)	$ (567,306)	$ (181,599)

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

Statement of Financial Position
as at March 31, 2004

	Operating Fund	Capital Fund	2004 Total	2003 Total
ASSETS				
Current				
Cash and cash equivalents......	$ 3,901,757	$ (1,459,330)	$ 2,442,427	$ 1,696,407
Accounts receivable (Note 3)...	3,123,480	3,015,478	6,138,958	8,226,473
Inventory..................	901,775	---	901,775	859,532
Prepaid expenses............	584,518	5,546	590,064	350,084
	8,511,530	1,561,694	10,073,224	11,132,496
Long-term assets (Note 4)...................	5,401,674	---	5,401,674	3,890,345
Property, plant and equipment (Note 5)..........	---	68,215,560	68,215,560	64,578,604
	$ 13,913,204	$ 69,777,254	$ 83,690,458	$ 79,601,445
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 7)...	$ 6,449,459	$ 1,624,975	$ 8,074,434	$ 7,482,353
Revenue received in advance...	2,856,269	---	2,856,269	2,153,138
	9,305,728	1,624,975	10,930,703	9,635,491
Employee future benefits (Note 12)...................	5,011,064	---	5,011,064	3,477,573
Deferred capital grants (Note 8)...................	---	67,822,157	67,822,157	65,994,542
	14,316,792	69,447,132	83,763,924	79,107,606
FUND BALANCES				
Restricted (Page 505)..........	70,217	10,645	80,862	80,862
Unrestricted (Page 505)........	(473,805)	319,477	(154,328)	412,977
	(403,588)	330,122	(73,466)	493,839
	$ 13,913,204	$ 69,777,254	$ 83,690,458	$ 79,601,445

Commitments (Note 9)

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

Statement of Changes in Fund Balances
for the year ended March 31, 2004

	Operating Fund	Capital Fund	2004 Total	2003 Total
Restricted Fund Balances	$ 70,217	$ 10,645	$ 80,862	$ 80,862
Unrestricted Fund Balances				
Balance, beginning of year.....	---	412,977	412,977	594,576
Deficiency of revenues over expenses (Page 503).....	(473,805)	(93,500)	(567,305)	(181,599)
Balance, end of year..........	(473,805)	319,477	(154,328)	412,977
Total Fund Balances...........	$ (403,588)	$ 330,122	$ (73,466)	$ 493,839

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

Statements of Cash Flows
for the year ended March 31, 2004

	Operating Fund	Capital Fund	2004 Total	2003 Total
Net inflow (outflow) of cash related to the following activities:				
Operating				
Deficiency of revenues over expenses	$ (473,805)	$ (93,500)	$ (567,305)	$ (181,599)
Adjusted for:				
Amortization of property, plant and equipment (Page 503)	—	3,878,686	3,878,686	3,484,384
Amortization of deferred capital grants (Page 503)	—	(3,790,724)	(3,790,724)	(3,317,295)
Gain on disposal of property, plant and equipment	—	—	—	(47,560)
Employee future benefits (Note 12)	1,834,183	—	1,834,183	378,158
Changes in non-cash working capital items (Note 11)	2,039,025	1,061,479	3,100,504	1,590,975
Payment of employee future benefits (Note 12)	(300,692)	—	(300,692)	(200,515)
	3,098,711	1,055,941	4,154,652	1,706,548
Financing				
Proceeds from capital grants (Note 8)	—	5,618,339	5,618,339	10,470,398
Repayment of long-term debt	—	—	—	(18,008)
	—	5,618,339	5,618,339	10,452,390
Investing				
Investment in long-term assets (Note 4)	(1,511,329)	—	(1,511,329)	(390,492)
Acquisition of property, plant and equipment	—	(7,515,642)	(7,515,642)	(9,772,305)
Proceeds on disposal of property, plant and equipment	—	—	—	47,560
	(1,511,329)	(7,515,642)	(9,026,971)	(10,115,237)
Net cash inflow (outflow)	1,587,382	(841,362)	746,020	2,043,701
Cash and cash equivalents (bank indebtedness), beginning of year	2,314,375	(617,968)	1,696,407	(347,294)
Cash and cash equivalents (bank indebtedness), end of year	$ 3,901,757	$ (1,459,330)	$ 2,442,427	$ 1,696,407

Supplemental cash flow information:

Interest (recovered) paid	$ (11,432)	$ 22,714	$ 11,282	$ 84,947

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

Notes to the Financial Statements
for the year ended March 31, 2004

1. DESCRIPTION OF ORGANIZATION

The South West Nova District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000 The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The South West Nova District Health Authority's mission: "Work with individuals, families and partners to promote and improve the health of our communities. The District Health Authority uses resources wisely to provide access to a broad range of quality health services."

The facilities owned and operated by the District Health Authority are Digby General Hospital, Roseway Hospital and Yarmouth Regional Hospital. In addition, the District Health Authority leases space in other locations to operate certain programs throughout Digby, Shelburne and Yarmouth counties and supports four (4) Community Health Boards.

The South West Nova District Health Authority is a registered charity under the Income Tax Act of Canada and, therefore, is exempt from income tax.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies and include the following significant accounting policies:

a) Fund Accounting

Revenue and expenses related to program delivery and administration are reported in the operating fund. The capital fund reports the assets, liabilities, revenue and expenses related to the South West Nova District Health Authority's capital assets, and special purposes and endowment funds.

b) Revenue Recognition

The South West Nova District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted capital fund balances.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and money market investments.

d) Inventory

Inventories are recorded at the lower of average cost and replacement cost, and includes medical/surgical, drugs, and other general inventory.

e) Property, Plant and Equipment

Purchased capital assets are recorded in the capital fund at cost. Contributed capital assets are recorded in the capital fund at fair value at the date of contribution. Amortization is provided on a straight-line basis at the following annual rates:

Land improvements	5 - 10%
Building and building service equipment	2.5 - 10%
Equipment	5 - 33%

f) Deferred Capital Grants

Deferred contributions reported in the capital fund include grant revenue received from external sources restricted for the purchase of capital assets. Capital assets transferred from the Western Regional Health Board are recorded at original cost less accumulated amortization. Amortization of deferred capital grants is recognized as revenue on the same basis as amortization of the related assets.

g) Employee Future Benefits

Employee future benefits are determined based on assumptions as outlined in Note 12 and recognized in the period in which benefits are earned by the employee.

h) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenue and expenses for the year then ended. Actual results may differ from those estimates.

3. ACCOUNTS RECEIVABLE

	Operating Fund	Capital Fund	2004 Total	2003 Total
Department of Health				
Operating funding.......	$ 1,184,291	$ ---	$ 1,184,291	$ 2,145,069
Transition support program.............	8,497	---	8,497	94,725
Capital grants............	---	2,105,626	2,105,626	1,863,927
Patient care..............	376,467	---	376,467	252,329
HST rebates..............	212,327	195,498	407,825	398,021
Extended care facilities.....	1,078,397	---	1,078,397	1,487,143
Homecare/VON..........	50,711	---	50,711	46,911
Charitable foundations.....	4,058	657,849	661,907	1,489,513
Psychiatric recoveries.....	14,378	---	14,378	32,618
Other..................	194,354	56,505	250,859	416,217
	$ 3,123,480	$ 3,015,478	$ 6,138,958	$ 8,226,473

4. LONG-TERM ASSETS

	Operating Fund	Capital Fund	2004 Total	2003 Total
Payroll advances	$ 239,456	$ ---	$ 239,456	$ 326,629
Employee future benefits ...	5,162,218	---	5,162,218	3,563,716
	$ 5,401,674	$ ---	$ 5,401,674	$ 3,890,345

5. PROPERTY, PLANT AND EQUIPMENT

		Accumulated	Net Book Value	
	Cost	Amortization	2004	2003
Land and land improvements	$ 862,453	$ 134,917	$ 727,536	$ 739,305
Building and building service equipment	85,563,369	24,669,726	60,893,643	58,438,951
Equipment	21,941,782	15,347,401	6,594,381	5,400,348
	$ 108,367,604	$ 40,152,044	$ 68,215,560	$ 64,578,604

6. CREDIT FACILITIES

The District Health Authority has available operating lines of credit with a Canadian chartered bank totalling $4.1 million. As well, the District Health Authority has available a capital line of credit totalling $800,000 with a Canadian chartered bank. As of March 31, 2004, interest charges on any overdraft accounts are prime less .75%. There were no amounts owing on these lines at March 31, 2004 as the consolidated bank balance was positive. (South Shore District Health Authority, South West Nova District Health Authority, and the Annapolis Valley District Health Authority). Subsequent to year-end, capital bank indebtedness was eliminated through the collection of receivables.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Operating Fund	Capital Fund	Total 2004	Total 2003
Trade payables	$ 1,314,968	$ 30,546	$ 1,345,514	$ 1,870,982
Accrued liabilities	1,047,815	1,594,429	2,642,244	1,823,432
Vacation pay.............	1,221,111	---	1,221,111	1,147,328
Salary and benefits	2,786,878	---	2,786,878	2,589,049
Other	78,687	---	78,687	51,562
	$ 6,449,459	$ 1,624,975	$ 8,074,434	$ 7,482,353

8. DEFERRED CAPITAL GRANTS

	2004	2003
Balance, beginning of year	$ 65,994,542	$ 58,841,439
Grants received for:		
Capital assets purchased.................................	5,618,339	8,774,722
Future capital asset purchases	---	1,695,676
	71,612,881	69,311,837
Amortization of deferred capital grants	(3,790,724)	(3,317,295)
Balance, end of year.......................................	$ 67,822,157	$ 65,994,542

9. COMMITMENTS

a) Leases and Purchase Commitments

The South West Nova District Health Authority has committed funds from operations for occupancy and equipment leases. Estimated minimum lease payments over the next five years are expected to be as follows:

2005	2006	2007	2008	2009
$ 659,767	$ 360,097	$ 304,907	$ 304,907	$ ---

b) Yarmouth Redevelopment Project

The South West Nova District Health Authority has committed to a multi-year redevelopment project for the Yarmouth Regional Hospital. The original amount of the contract was $57.4 million. The project is expected to be completed within the next fiscal year.

10. PENSION PLAN

The South West Nova District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted December 31, 2000 and showed an unfunded liability for the entire plan of $nil.

The second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2003. At this time, there was an unfunded liability. The South West Nova District Health Authority bears no direct financial responsibility for any unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2004 was $1,965,539 (2003 - $1,588,570).

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Operating Fund	Capital Fund	Total 2004	Total 2003
Accounts receivable	$ 1,211,655	$ 875,860	$ 2,087,515	$ 485,920
Inventory................	(42,243)	---	(42,243)	(87,190)
Prepaid expenses..........	(245,528)	5,548	(239,980)	26,731
Accounts payable and accrued liabilities	412,010	180,071	592,081	897,721
Revenue received in advance...............	703,131	---	703,131	267,793
	$ 2,039,025	$ 1,061,479	$ 3,100,504	$ 1,590,975

12. EMPLOYEE FUTURE BENEFITS

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the South West Nova District Health Authority upon retirement. The most recent actuarial valuation was for the year ended December 31, 2003. Actuarial liabilities as at March 31, 2004 were extrapolated from the results of the December 31, 2003 actuarial valuation.

Financial position of the program is as follows:

Continuity Schedule	**2004**	**2003**
Liability, beginning of year	$ 3,477,573	$ 3,299,930
Current service costs	305,700	190,100
Amendment in plan terms	1,201,600	---
Interest on liability	322,100	205,500
Benefits paid out to retirees	(300,692)	(200,515)
Current year amortized actuarial loss (gain)	4,783	(17,442)
Liability, end of year	$ 5,011,064	$ 3,477,573

Significant actuarial assumptions were adopted in measuring the financial position of the program as at March 31, 2004 using the projected benefit method based on membership information provided by the Nova Scotia Association of Health Organizations ("NSAHO") as of December 31, 2003. The discount rate used was 6.17% and the salary growth rate 3.65% per year, plus promotional scale. Amortization is calculated over the expected average remaining service life of the employee group covered by the plans, namely 12 years. The net expenditure related to these employee future benefits was $1,834,183 (2003 - $378,158) for the year.

During the year, retirement benefits were amended to reflect revised plan provisions resulting in an addition to the liability of $1,201,600.

All accumulated liabilities from the retiring allowance program of the South West Nova District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2004.

13. FINANCIAL INSTRUMENTS

Fair Value

The reported values of financial instruments which consist of cash and cash equivalents, short-term invesments, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the near term maturity of these instruments.

Credit Risk

The South West Nova District Health Authority performs a continuous evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2004.

AUDITORS' REPORT

To the Chairperson and Members
of the Southwest Regional School Board

We have audited the consolidated balance sheet of the Southwest Regional School Board as at March 31, 2004 and the consolidated statements of operations for the year then ended. These financial statements have been prepared to comply with the School Board Financial Handbook as prescribed by the Ministerial Regulations of the Education Act of Nova Scotia. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2004 and the results of its operations for the year then ended in accordance with accounting principles disclosed in note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of members of the Board and Minister of Education of Nova Scotia for complying with legislative requirements. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

GRANT THORNTON LLP
Registered Municipal Auditors

Bridgewater, Nova Scotia
June 10, 2004

SOUTHWEST REGIONAL SCHOOL BOARD

Consolidated Balance Sheet
As at March 31, 2004

	2004	2003
FINANCIAL AND CAPITAL ASSETS		
Financial Assets		
Cash	$ 1,557,647	$ ---
Restricted Cash	220,536	505,766
Accounts Receivable		
Province of Nova Scotia	823,451	4,244,022
Government of Canada	245,995	322,583
Municipalities	---	---
Other (Note 2)	579,254	693,152
Receivable - Retirement Allowance (Note 6)	5,939,792	5,748,000
Advances	---	---
Inventory	470,939	484,617
Prepaid expenses	795,943	591,335
Other Investments	---	---
Total Financial Assets	10,633,557	12,589,475
Capital Assets		
Total of Capital Assets (Note 3)	87,842,978	87,465,751
Financial and Capital Assets	$ 98,476,535	$ 100,055,226
LIABILITIES AND RETAINED EARNINGS		
Liabilities		
Bank Indebtedness	$ ---	$ 50,086
Payables and Accruals - Trade	2,569,533	2,725,302
Payroll and Employee Deductions	1,168,257	2,618,951
Payables and Accruals - Government		
Province of Nova Scotia	170,172	475,691
Government of Canada	47,642	56,566
Municipalities	22,552	15,509
Other	1,195	---
Current portion of Long-term Debt	---	---
Deferred Revenue	210,872	164,998
Deferred Revenue - Capital	---	---
Retirement Obligations (Note 6)	5,939,792	5,748,000
Long-term debt	---	---
Total Liabilities	10,130,015	11,855,103
Retained Earnings		
Accumulated Amortization	---	---
Investment in Capital Assets	87,842,978	87,465,751
Unrestricted Retained Earnings	283,006	228,606
Reserves	220,536	505,766
Total Retained Earnings	88,346,520	88,200,123
Liabilities and Retained Earnings	$ 98,476,535	$ 100,055,226

Contingencies (Note 5)

Commitments (Note 6)

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Operating and Reserve Funds Balance Sheet
As at March 31, 2004

FINANCIAL AND CAPITAL ASSETS

	2004	2003
Financial Assets		
Cash	$ 1,557,647	$ ---
Restricted Cash	220,536	505,766
Short - term Investments	---	---
Accounts Receivable		
Province of Nova Scotia	823,451	4,244,022
Government of Canada	245,995	322,583
Municipalities	---	---
Other (Note 2)	579,254	693,152
Receivable - Retirement Allowance (Note 6)	5,939,792	5,748,000
Advances	---	---
Inventory	470,939	484,617
Prepaid expenses	795,943	591,335
Other Investments	---	---
Total Financial Assets	10,633,557	12,589,475
Financial and Capital Assets	$ 10,633,557	$ 12,589,475

LIABILITIES AND RETAINED EARNINGS

	2004	2003
Liabilities		
Bank Indebtedness	$ ---	$ 50,086
Payables and Accruals - Trade	3,160,542	2,725,302
Payroll and Employee Deductions	577,248	2,618,951
Payables and Accruals - Government		
Province of Nova Scotia	170,172	475,691
Government of Canada	47,642	56,566
Municipalities	22,552	15,509
Other	1,195	---
Current portion of Long-term Debt	---	---
Deferred Revenue	210,872	164,998
Retirement Obligations (Note 6)	5,939,792	5,748,000
Long-term debt	---	---
Total Liabilities	10,130,015	11,855,103
Retained Earnings		
Unrestricted Retained Earnings	283,006	228,606
Reserves	220,536	505,766
Total Retained Earnings	503,542	734,372
Liabilities and Retained Earnings	$ 10,633,557	$ 12,589,475

Contingencies (Note 5)
Commitments (Note 6)

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Statement of Operations
Year Ended March 31, 2004

	Budget	2004 Actual	2003 Actual
Revenue (Schedule A)			
Province of Nova Scotia	$ 82,088,138	$ 82,116,597	$ 80,271,481
Government of Canada	998,371	1,035,524	1,162,501
Appropriations from Councils	19,170,800	19,170,836	18,147,993
Board Operations	897,408	1,148,867	1,077,598
Capital Revenue Recognition	---	---	---
Transfer from Reserves	50,345	298,476	774,992
	$ 103,205,062	$ 103,770,300	$ 101,434,565
Expenditures (Schedule B)			
Board Governance	$ 393,489	$ 368,978	$ 351,011
Regional Management	2,252,828	2,288,652	2,123,798
School Management & Support	9,362,460	9,285,665	10,569,316
Instruction & School Services	57,794,539	58,175,749	55,606,342
Student Support	11,068,757	10,987,002	9,740,004
Adult & Community Education	448,878	488,219	425,868
Property Services	12,990,009	12,279,294	12,504,253
Student Transportation	7,908,166	8,078,058	7,740,693
Other Programs	985,936	1,399,283	2,053,280
Interest - Service Awards - Teachers (Note 6)	---	365,000	320,000
	$ 103,205,062	$ 103,715,900	$ 101,434,565
Excess of revenue over expenditures	$ ---	$ 54,400	$ ---
Transfer to Reserve - Future Operations	---	---	---
Excess of revenue over expenditures after transfer to reserves	$ ---	$ 54,400	$ ---

Statement of Continuity of Surplus
Year Ended March 31, 2004

	2004	2003
Balance, beginning of year	$ 228,606	$ 228,606
Annual operating surplus (deficit)	54,400	---
Transfer to Reserves	---	---
Transfer to prior year's deficit (surplus) to statement of operations	---	---
Balance, end of year	$ 283,006	$ 228,606

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Capital Fund Balance Sheet
March 31, 2004

	2004	2003
ASSETS		
Fixed Assets, at cost (Note 3)		
Land, buildings and improvements	$ 57,666,901	$ 57,666,901
Equipment and furnishings	17,920,260	17,920,260
School buses and other vehicles	12,255,817	11,878,590
	$ 87,842,978	$ 87,465,751
Total Capital Assets	$ 87,842,978	$ 87,465,751
Investment in capital assets	87,842,978	87,465,751
	$ 87,842,978	$ 87,465,751
	$ 87,842,978	$ 87,465,751

Accounting principles (Note 1)
Contingencies (Note 5)
Commitments (Note 6)

Statement of Continuity of Investment in Capital Assets
Year Ended March 31, 2004

	2004	2003
Balance, beginning of year	$ 87,465,751	$ 87,067,638
Capital purchases		
Land, building and improvements	—	—
Adjustment-Motor Vehicles, March 31, 2003	70,360	—
Motor Vehicles, March 31, 2004	85,180	—
	155,540	—
School bus and motor vehicle dispositions	(931,240)	(737,995)
School buses	1,152,927	1,136,108
	221,687	398,113
Balance, end of year	$ 87,842,978	$ 87,465,751

See accompanying notes to the financial statements.

Statement of Continuity of Reserves
March 31, 2004

	Balance Beginning of Year	Transfer to Operating Fund	Interest Revenue	Balance End of Year
Future projects	$ 4,386	$ (5,213)	$ 827	$ ---
South Shore District School Board	349,230	(209,115)	8,545	148,660
Tri County District School Board	152,150	(84,148)	3,874	71,876
	$ 505,766	$ (298,476)	$ 13,246	$ 220,536

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenues
Year Ended March 31, 2004

	Budget	2004 Actual	2003 Actual
Province of Nova Scotia			
Operating	$ 74,037,400	$ 73,916,297	$ 68,061,790
Restricted	6,153,800	6,188,194	8,087,808
Capital	1,237,200	889,490	1,419,033
Other	659,738	1,019,192	2,192,991
Recoveries	---	103,424	509,859
Revenue to Deferred - Capital	---	---	---
	$ 82,088,138	$ 82,116,597	$ 80,271,481
Government of Canada			
HRDC	$ ---	$ 55,460	$ 143,726
Other	728,791	687,396	709,938
First Nations	269,580	292,668	308,837
	$ 998,371	$ 1,035,524	$ 1,162,501
Appropriations from Councils	$ 19,170,800	$ 19,170,836	$ 18,147,993
	$ 19,170,800	$ 19,170,836	$ 18,147,993
Board Operations			
Board Generated Revenue - Other Revenue	$ 762,408	$ 1,005,251	$ 956,602
Interest/Investment	120,000	122,218	93,606
Sale of Assets	15,000	17,370	13,790
Non-Government Grants	---	4,028	13,600
	$ 897,408	$ 1,148,867	$ 1,077,598
Transfer From Reserves/Surplus	$ 50,345	$ 298,476	$ 774,992
	$ 50,345	$ 298,476	$ 774,992
Total Revenue	$ 103,205,062	$ 103,770,300	$ 101,434,565

See accompanying notes to fhe financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures
Year Ended March 31, 2004

	Budget	2004 Actual	2003 Actual
Board Governance			
Salaries	$ 236,283	$ 226,625	$ 215,481
Benefits	9,906	11,759	12,153
Travel	46,900	55,767	57,228
Supplies/Material	43,600	31,757	28,718
Professional Development	56,800	43,070	37,431
Elections	—	—	—
Total Board Governance	$ 393,489	$ 368,978	$ 351,011
Regional Management			
Salaries	$ 1,137,166	$ 1,134,149	$ 1,090,949
Benefits	187,535	219,865	177,954
Travel	98,020	105,807	89,957
Professional Services - Legal/Audit	95,000	112,840	90,148
Contracted Services	120,060	124,787	118,683
Repairs/Maintenance	34,000	48,653	58,858
Supplies/Materials	225,660	234,612	232,882
Utilities	37,817	18,581	35,472
Professional Development	94,700	66,802	43,130
NSSBA Dues	68,000	67,817	67,817
Bank/Interest Costs	2,650	6,512	3,818
Insurance	152,220	148,227	114,130
Total Regional Management	$ 2,252,828	$ 2,288,652	$ 2,123,798
School Management & Support			
Salaries	$ 7,572,164	$ 7,354,547	$ 8,809,680
Benefits	409,329	432,039	366,176
Travel	158,225	117,363	130,147
Contracted Services	199,067	210,972	131,440
Repairs/Maintenance	16,195	6,610	99,217
Supplies/Materials	563,055	690,340	598,584
Professional Development	444,425	473,794	434,072
Total School Management & Support	$ 9,362,460	$ 9,285,665	$ 10,569,316
Instruction & School Services			
Salaries	$ 51,521,773	$ 52,013,364	$ 49,689,830
Benefits	3,225,626	3,306,438	3,166,967
Retirement allowances - board paid	---	---	14,817
Retirement allowances - current service	672,900	499,692	386,000
Travel	39,000	36,713	37,923
Contracted Services	343,310	339,355	355,375
Repairs/Maintenance	---	---	70,116
Supplies/Materials	1,991,930	1,980,187	1,885,314
Total Instruction & School Services	$ 57,794,539	$ 58,175,749	$ 55,606,342

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (Continued)
Year Ended March 31, 2004

	Budget	2004 Actual	2003 Actual
Student Support			
Salaries	$ 10,041,089	$ 9,920,859	$ 8,857,666
Benefits	868,810	908,543	798,225
Travel	69,337	71,881	78,907
Supplies/Materials	59,236	53,922	(18,490)
Professional Development	30,285	31,797	23,696
Total Student Support	$ 11,068,757	$ 10,987,002	$ 9,740,004
Adult & Community Education			
Salaries	$ 368,965	$ 420,201	$ 362,116
Benefits	46,703	44,332	35,410
Travel	6,310	3,638	3,888
Contracted Services	4,500	7,420	8,036
Supplies/Materials	20,900	12,448	15,615
Professional Development	1,500	180	803
Total Adult Ed & Community Education	$ 448,878	$ 488,219	$ 425,868
Property Services			
Salaries	$ 4,594,390	$ 4,543,060	$ 4,368,950
Benefits	727,241	796,518	677,718
Travel	21,210	27,663	20,963
Contracted Services	553,200	689,812	670,063
Repairs/Maintenance	3,113,081	2,594,263	3,044,625
Vehicle Expenses	139,690	141,119	119,504
Supplies/Materials	357,010	306,584	373,945
Utilities	3,321,146	3,056,291	3,204,945
Professional Development	15,800	5,190	5,934
Insurance	513,630	515,483	410,899
Recoveries	(366,389)	(396,689)	(393,293)
Total Property Services	$ 12,990,009	$ 12,279,294	$ 12,504,253
Student Transportation			
Salaries	$ 4,465,971	$ 4,464,041	$ 4,323,340
Benefits	763,531	809,511	706,937
Travel	177,440	170,786	172,025
Contracted Services	114,545	93,054	28,777
Repairs/Maintenance	79,575	119,501	101,056
Vehicle Maintenance	1,715,050	1,855,137	1,855,104
Conveyance	107,600	132,421	110,466
Supplies/Materials	179,354	132,284	182,770
Utilities	72,020	66,778	67,762
Professional Development	17,600	23,843	20,049
Insurance	215,480	210,702	172,407
Total Student Transportation	$ 7,908,166	$ 8,078,058	$ 7,740,693

See accompanying notes to fhe financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (Continued)
Year Ended March 31, 2004

	Budget	2004 Actual	2003 Actual
Other Programs			
Salaries	$ 565,251	$ 768,910	$ 798,942
Benefits	46,119	46,080	56,907
Travel	10,000	12,682	21,014
Contracted Services	---	---	25,914
Repairs/Maintenance	---	---	325,017
Supplies/Materials	364,566	571,211	790,047
Professional Development	---	400	35,439
Total Other Programs	$ 985,936	$ 1,399,283	$ 2,053,280
Interest Expense			
Interest - Service Awards - Teachers	$ ---	$ 365,000	$ 320,000
Total Interest Expense	$ ---	$ 365,000	$ 320,000
Total Expenditures	$ 103,205,062	$ 103,715,900	$ 101,434,565

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Notes to the Financial Statements
March 31, 2004

1. **Significant accounting principles**

The consolidated financial statements have been prepared using accounting principles of the School Board Financial Handbook as prescribed by the Ministerial Regulations of the Education Act of Nova Scotia. These principles are consistent with those used in prior years. The basis of accounting used in these consolidated financial statements materially differs from Canadian generally accepted accounting principles as described below.

(a) Accrual accounting

Revenues and expenditures are accounted for on the accrual basis of accounting, with the following exceptions:

(i) No provision has been made to record salaries and benefits accrued but unpaid at year end for teaching staff;
(ii) Vacation pay is recorded as a salary expense when it is paid;
(iii) Outstanding purchase orders for capital only at the balance sheet date are accrued and recorded as payables.

(b) Capital equipment and school buses

Fixed assets are recorded at cost. Assets received from the various boards as at January 1 1982, under the agreement creating the Southwest Regional School Board, are treated as additions to investments in fixed assets. Effective April 1, 2001, the Province of Nova Scotia no longer provided funding to Boards for purchases of school buses, assuming fully the responsibility and cost of purchasing, however buses are recorded as capital assets but are not amortized. Vehicles purchased by the Board are capitalized and are not amortized.

(c) Inventories

Garage parts and tire inventories are recorded at cost. All other supplies and purchases are expensed.

(d) Trust funds

The trust funds represent capital contributed in trust on which the income thereon is used to provide scholarships for eligible students.

(e) Basis of consolidation

The consolidated balance sheet is presented using the principles of consolidation prescribed by the Department of Education. The consolidated balance sheet includes the accounts of the general and capital funds. Trust funds are not included in the consolidation. For a detailed review the reader should refer to the financial statements of each fund as presented in these financial statements.

2. **Receivables**

	2004	2003
NSSRA - NSTU Sal Con Insurance (Note 5)	$ 250,000	$ 250,000
First Nations Band Councils	46,846	6,289
Other	282,408	436,863
	$ 579,254	$ 693,152

3. **Capital Fund Assets**

Prior to the formation of the Southwest Regional School Board, certain municipal units had joined to form District School Boards. Under various agreements, land and school buildings on hand remained assets of the appropriate municipal units but were under the operational control of the District School Boards until such time as the Board no longer required the assets for school purposes. At that time, control reverted back to the appropriate municipality. These agreements will now remain in force with the Southwest Regional School Board.

The Southwest Regional School Board has a vested interest in capital improvements to school buildings. Under the Education Act, should a municipal unit sell a building returned to it by the Board under the circumstances noted above, a portion of the proceeds will be payable to the Board. In the event of the destruction of the building such that insurance proceeds are payable, a portion of these proceeds will similarly be payable to the Board. In 2003, the Board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds for recording capital assets. Only those assets meeting the thresholds were recorded as additions in 2003. These thresholds are as follows: buildings - $250,000; leasehold improvements - $250,000; computer hardware - $25,000; motor vehicles - $15,000 and major equipment - $50,000.

In 2004, after consultations with the Department of Education and the Department of Finance, the Board was instructed no ;to adopt the Tangible Capital Assets Accounting Policy for Department of Education funded capital projects; therefore, 2003 figures have been restated. See note 8 to the financial statements for the effect of this change.

4. Pension plans

The Board makes payments into the following defined benefit pension plans for non-teaching staff:

Southwest Regional School Board-Support Staff
Southwest Regional School Board-Support - CUPE Staff
Town of Yarmouth pension plans
NSSBA Pension Plan - Queens, Shelburne, and Digby

Recent actuarial reports have not been prepared for these various plans and therefore no balances have been reflected in these financial statements. The Board's teachers are covered by a pension plan established by the Province pursuant to the Teachers Pension Act.

5. Contingencies

Receivable

Included in receivables is $250,000 due from the Trustees of the Teachers Long-Term Liability plan. This has been outstanding for a number of years and the Board cannot make a determination of the amount of likelihood of any write-down that might be required upon settlement with the Province.

Legal

There are a number of claims and possible claims outstanding against the Board. The outcomes of these claims are not determinable and therefore no amounts have been recorded in the accounts of the Board. Any settlements resulting from the resolution of these claims will be treated as a charge to operations in the period the settlement occurs.

6. Commitments

Service awards

For all service on or before July 31, 2000, under the terms of agreements with local units of the Nova Scotia Teacher's Union, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amounts of the awards are as follows:

Digby District	- $80 per year of service
Queens District	- 0.45 of one percent of a TC5 - MAX per year of service
Shelburne District	- $90 per year of service
Yarmouth District	- 0.75 of one percent of annual salary per year of service
Lunenburg District	- $200 per year of service - Maximum $7,000
Clare/Argyle District	- 0.60 of one percent of annual salary per year of service

For all service commencing on or after August 1, 2000 under the terms of agreement with the NSTU and Southwest Regional School Board the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amount of the award is as follows: .75 of 1% for each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

The Province of Nova Scotia assumed responsibility for the payment of Service Awards for teachers effective April 1, 2002. The Board has recorded a service award and interest expense for the service awards for teachers.

Continuity of Retirement Allowance Liability	**2004**	**2003**
Actuarial liability, beginning of year	$ 6,041,000	$ 5,091,000
Beginning unamortized gain/(loss), liability	(293,000)	143,000
Beginning balance per financial statements	$ 5,748,000	$ 5,234,000
Current service cost (Retiring allowance expense)	$ 478,000	$ 397,000
Amortization of experience gains/losses	21,692	(11,000)
Retiring allowance expense	$ 499,692	$ 386,000
Estimated benefits paid	$ (672,900)	$ (192,000)
Interest expense - Service Awards - Teachers	365,000	320,000
Ending balance per Balance Sheet	$ 5,939,792	$ 5,748,000
Reconciliation to actuarial report:		
Per actuaries	$ 6,620,000	$ 6,041,000
Unamortized gain/(loss)	(680,208)	(293,000)
	$ 5,939,792	$ 5,748,000

P-3 Operating Expenses

Forest Ridge Academy, Bayview Community School and Aspotogan Consolidated Elementary School were opened for the 2000/01 school year. Meadowfields Community School had been opened in the 1999/2000 school year. All payments for P3 leases are made by the Province to the private partner and contain both capital and operating component.

Energy Management Contract

The Southwest Regional School Board has entered into an energy management contract with Nova Scotia Power Services Limited. The School Board is required to pay $5,848 per month until the contract expires July 2005.

7. Board Restructuring

The Southwest Regional School Board was restructured into two districts - The South Shore District School Board and the Tri County District School Board during the fiscal year 2000/2001. The Southwest Regional School Board is responsible for operational issues and the two school districts are responsible for educational issues.

8. Restatement of 2003 Figures

In 2004, after consultations wit the Department of Education and the Department of Finance, the Board was instructed not to adopt the Tangible Capital Asset Policy for Department of Education funded capital projects; therefore, 2003 figures have been restated.

The effects of this change on the 2003 statement of operations are an increase to Province of Nova Scotia - capital Revenue and an offsetting increase to Property Services - Expenditures transferred to TCA of $1,350,141. Capital Revenue Recognition and Tangible Capital Asset Amortization were both reduced by $85,097. The effect on the Capital Fund Balance sheet was decrease to Fixed Assets, Tangible Capital Assets of $1,350,141 with the offset to Deferred Capital Revenue ($1,264,044) and Accumulated Amortization ($85,097).

The Provincial Tangible Capital Asset Policy for Board funded TCA capital projects will be implemented once the draft Financial Handbook is finalized, approved and implemented in all Nova Scotia School Boards in future.

SOUTHWEST REGIONAL SCHOOL BOARD

Trust Funds Balance Sheet
March 31, 2004

	2004	2003
Assets		
Cash	$ 492,543	$ 802,931
Equity		
Estate of Marjorie E. Jones	$ 15,921	$ 15,531
Digby Community Theatre	4,266	4,162
Shelburne High-new school	72,306	---
Reserve for scholarships		
Teachers' Scholastic Scholarship	5,272	5,229
Forbes Mountain Scholarship	343	532
Josephine Christie Fredea Award	1,487	1,524
South Shore District Memorial Scholarship	4,101	4,254
Murray Barkhouse Scholarship Fund	3,821	3,405
Robert Hirtle Memorial Fund	1,119	1,184
Dr. K.C. Ghandi Marfatia Scholarship Fund	11,598	11,314
W.G.L. Hirtle Scholarship	10,316	10,307
Elinor Muir Leary Scholarship	9,650	10,003
Irene and Derrell Ernst Scholarship	4,965	5,139
David Lowe Scholarship	7,663	7,672
Clara Quinlan Scholarship	5,218	5,091
Monte Oickle Scholarship	4,564	4,748
Cameron Smith Memorial	---	162
Paul Eisnor Memorial	560	450
Austin Nauss Scholarship	1,049	1,321
Rodney Veinot Memorial	2,136	2,379
Timothy Daniels Memorial	4,235	3,910
Sylvia Weagle Bursary	28,327	28,324
Dr. J.C. Wickwire	2,259	2,203
Augusta Nickerson	13,988	13,646
J. Pask Memorial	133	130
Maragaret Ernst MacLeod	3,921	3,825
Elsie Hemeon Fund	538	524
Stay-in-School Bursary	---	157
F. Dakin and P. Dakin Dickson	45,046	44,921
Dr. Charles and Mary Webster	31,789	31,639
Erma Westhaver Loomis	36,332	36,280
Yarmouth District Scholarship Society		
Unassigned	3,750	3,658
Samuel Margolian Trust - Yarmouth High	4,985	4,981
Samuel Margolian Trust - St. Ambrose	4,985	4,981
Churchill Trust	789	1,529
Loraleis Trust	1,595	1,556
Blackader - Kirk Trust	1,990	2,434
Olson	2,928	2,857
Andrew Maxwell	2,911	3,036
Atlantic Philanthropy	133	7,415
John S. Derrick	9,883	---
Faith Guay	2,380	---
Colleen Finck Memorial	123,291	120,273
Pension Deficiency Fund		
CUPE Pension Fund	---	390,245
	$ 492,543	$ 802,931

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Statement of Continuity of Trust Funds
For the Year Ended March 31, 2004

	Balance Beginning of Year	Contributions	Receipt of Donations	Interest Earned	Scholarships Awarded	Balance End of Year
Estate of Marjorie E. Jones	$ 15,531	$ ---	$ ---	$ 390	$ ---	$ 15,921
Digby Community Theatre Fund	4,162	---	---	104	---	4,266
Shelburne High-new school	---	71,750	---	556	---	72,306
Teachers Scholastic	5,229	---	6,215	144	(6,316)	5,272
Forbes Mountain	532	---	---	11	(200)	343
J.C. Fredea Award	1,524	---	---	38	(75)	1,487
South Shore District Memorial	4,254	---	500	97	(750)	4,101
M. Barkhouse Scholarship Fund	3,405	---	620	96	(300)	3,821
Robert Hirtle Memorial Fund	1,184	---	900	35	(1,000)	1,119
Dr. K.C. Marfatia Ghandi	11,314	---	---	284	---	11,598
W.G.L.Hirtle	10,307	---	---	259	(250)	10,316
Elinor Muir Leary	10,003	---	---	247	(600)	9,650
Irene/Derrell Ernst	5,139	---	---	126	(300)	4,965
David Lowe	7,672	---	---	191	(200)	7,663
Clara Quinlan	5,091	---	---	127	---	5,218
Monte Oickle	4,748	---	---	116	(300)	4,564
Cameron Smith	162	---	---	3	(165)	---
Paul Eisnor	450	---	200	10	(100)	560
Austin Nauss	1,321	---	---	28	(300)	1,049
Rodney Veinot	2,379	---	---	57	(300)	2,136
Timothy Daniels	3,910	---	715	110	(500)	4,235
S Weagle Bursary	28,324	---	---	703	(700)	28,327
Dr J.C. Wickwire	2,203	---	---	56	---	2,259
Augusta Nickerson	13,646	---	---	342	---	13,988
J. Pask Memorial	130	---	---	3	---	133
Balance forward	$ 142,620	$ 71,750	$ 9,150	$ 4,133	$ (12,356)	$ 215,297

SOUTHWEST REGIONAL SCHOOL BOARD

Statement of Continuity of Trust Funds (Continued)
For the Year Ended March 31, 2004

	Balance Beginning of Year	Contributions	Receipt of Donations	Interest Earned	Scholarships Awarded	Balance End of Year
Balance carried forward	$ 142,620	$ 71,750	$ 9,150	$ 4,133	$ (12,356)	$ 215,297
M. Ernst MacLeod	3,825	---	---	96	---	3,921
Elsie Hemeon	524	---	---	14	---	538
Stay-in-School Bursary	157	---	---	2	(159)	---
F. Dakin/P. Dakin Dickson	44,921	---	---	1,125	(1,000)	45,046
Dr. Charles/Mary Webster	31,639	---	---	787	(637)	31,789
Erma Westhaver Loomis	36,280	---	---	902	(850)	36,332
Yarmouth Dist Scholarship Society						
Unassigned	3,658	---	---	92	---	3,750
S. Margolian Trust - Yarmouth High	4,981	---	---	123	(119)	4,985
S. Margolian Trust - St. Ambrose	4,981	---	---	123	(119)	4,985
Churchill Trust	1,529	---	---	26	(766)	789
Loraleis Trust	1,556	---	---	39	---	1,595
Blackader - Kirk Trust	2,434	---	---	56	(500)	1,990
Olson Trust	2,857	---	---	71	---	2,928
Andrew Maxwell	3,036	---	---	75	(200)	2,911
Atlantic Philanthrophy	7,415	---	---	118	(7,400)	133
John S. Derrick	---	---	9,700	183	---	9,883
Faith Guay	---	---	2,373	7	---	2,380
Colleen Finck Memorial	120,273	---	---	3,018	---	123,291
	412,686	71,750	21,223	10,990	(24,106)	492,543
Pension Deficiency Funds:						
CUPE Pension Fund	390,245	89,032	---	5,621	(484,898)	---
	$ 802,931	$ 160,782	$ 21,223	$ 16,611	$ (509,004)	$ 492,543

See accompanying notes to the financial statements.

AUDITOR'S REPORT

To the Chairman and Members of the Board of
The Strait Regional School Board

We have audited the consolidated balance sheet of the Strait Regional School Board as at March 31, 2004, and the consolidated statements of operations for the year then ended. These Financial statements have been prepared to comply with the School Board Financial Handbook as prescribed by the Ministerial Regulations of the Education Act of Nova Scotia. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2004, and the results of its operations for the year then ended in accordance with accounting principles disclosed in Note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for information and use of members of the Board and the Minister of Education of Nova Scotia for complying with legislative requirements. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Grant Thornton LLP
Chartered Accountants

Port Hawkesbury, Nova Scotia
May 19, 2004

STRAIT REGIONAL SCHOOL BOARD

Consolidated Balance Sheet
March 31, 2004

ASSETS

	2004	2003
Current		
Cash	$ 1,721,038	$ 168,332
Receivables	6,088,394	8,050,668
Prepaids	648,271	544,935
	8,457,703	8,763,935
Capital assets		
School buildings and improvements	25,607,297	28,452,553
Buses and other vehicles	1,252,115	1,742,267
Equipment and furnishings	1,622,526	2,028,157
	28,481,938	32,222,977
	$ 36,939,641	$ 40,986,912

LIABILITIES

	2004	2003
Current		
Payables and accruals	$ 2,094,339	$ 3,313,975
Deferred revenues	248,769	333,556
Reserves (Note 3)	682,812	—
Retirement service awards (Note 4)	4,465,816	4,361,120
	7,491,736	8,008,651

EQUITY

	2004	2003
Surplus - general fund (Page 531)	965,967	755,284
Investment in capital assets (Page 532)	28,481,938	32,222,977
	29,447,905	32,978,261
	$ 36,939,641	$ 40,986,912

Contingencies and commitments (Note 9)

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

Consolidated Statement of Operations
Year Ended March 31, 2004

	2004		2003
	Budget	**Actual**	**Actual**
Revenue			
Province of Nova Scotia	$ 51,097,931	$ 52,027,765	$ 50,738,134
Government of Canada	118,250	128,377	163,177
Local First Nations	1,025,000	1,134,699	855,887
Municipal contributions	10,837,700	10,589,342	10,480,596
Other revenues	2,718,040	3,131,010	3,150,318
	65,796,921	67,011,193	65,388,112
Expenditure			
Board governance	255,182	253,941	263,617
Regional management	2,018,978	1,883,807	2,321,300
School management and support	6,338,143	6,017,693	5,788,723
Instructional and school services	35,372,420	35,101,518	34,515,708
Student support	6,951,862	6,927,714	6,129,775
Property services	8,872,525	9,041,389	9,373,527
Student transportation	5,912,811	5,962,063	5,793,628
Other programs	75,000	656,573	621,781
Interest expense	—	273,000	251,000
	65,796,921	66,117,698	65,059,059
Annual operating surplus	—	893,495	329,053
Transfers to reserves	—	(682,812)	—
Prior year's surplus	—	755,284	426,231
Excess of revenue over expenditure	$ —	$ 965,967	$ 755,284

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

General Fund Balance Sheet
March 31, 2004

ASSETS

	2004	2003
Current		
Cash	$ 1,721,038	$ 168,332
Receivables		
Province of Nova Scotia	4,782,052	6,348,704
Municipal councils	17,253	—
Government of Canada	107,948	169,904
Local First Nations	—	847,408
Other	1,181,141	684,652
Prepaids	648,271	544,935
	$ 8,457,703	$ 8,763,935

LIABILITIES

	2004	2003
Current		
Payables and accruals-trade	$ 1,849,274	$ 3,096,989
Payables and accruals-government		
Province of Nova Scotia	227,545	191,944
Municipalities	17,520	18,033
Government of Canada	—	7,009
Deferred revenues	248,769	333,556
Reserves (Note 3)	682,812	—
Retirement service awards (Note 4)	4,465,816	4,361,120
	7,491,736	8,008,651

EQUITY

	2004	2003
Surplus	965,967	755,284
	$ 8,457,703	$ 8,763,935

General Fund
Statement of Continuity of Surplus
Year Ended March 31, 2004

	2004	2003
Balance, beginning of year	$ 755,284	$ 426,231
Annual operating surplus	965,967	755,284
Transfer of prior year' surplus to statement of operations	(755,284)	(426,231)
Balance, end of year	$ 965,967	$ 755,284

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

Capital Fund
Balance Sheet
March 31, 2004

ASSETS

	2004	2003
School buildings and improvements	$ 25,607,297	$ 28,452,553
Buses and other vehicles	1,252,115	1,742,267
Equipment and furnishings	1,622,526	2,028,157
	$ 28,481,938	$ 32,222,977

EQUITY

Investment in capital assets (Below)	$ 28,481,938	$ 32,222,977

Capital Fund
Statement of Continuity of Investment in Capital Assets
Year Ended March 31, 2004

	2004	2003
Balance, beginning of year	$ 32,222,977	$ 36,598,621
Capital purchases out of revenue		
Buses and other vehicles	46,468	39,476
	32,269,445	36,638,097
Capital assets written off and depreciation provision	3,787,507	4,415,120
Balance, end of year	$ 28,481,938	$ 32,222,977

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

Notes to the Consolidated Financial Statements
March 31, 2004

1. Nature of operations

The Strait Regional School Board manages education programs and finances of public schools within Invemess, Guysborough, Richmond and Antigonish counties.

2. Significant accounting policies

The consolidated financial statements have been prepared using accounting principles of the School Board Financial Handbook as prescribed by the Ministerial Regulations of the Education Act of Nova Scotia. These principles are consistent with those used in prior years. The basis of accounting used in these consolidated financial statements materially differs from Canadian generally accepted accounting principles as described below:

(a) Accrual accounting

Revenues and expenditures are accounted for on the accrual basis of accounting, with the following exceptinos:

i) No provision has been made to record salaries and benefits accrued but unpaid at year end for teaching staff;

(ii) Vacation pay is recorded as a salary expense when it it paid;

(b) Capital assets

Prior to 2001, all building improvements and acquisitions of furniture and equipment were recorded at cost. Commencing in 2001, the Board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds and only those assets meeting the thresholds are recorded as additions. These thresholds are as follows:

Buildings	$	250,000
Leasehold improvements	$	250,000
Computer hardware	$	25,000
Motor vehicles	$	15,000
Major equipment	$	50,000

Under the agreement with the municipal councils, all school buildings and land on hand at January 1, 1982 remain assets of the municipality but are under the operational control of the Board until such time, as the Board no longer requires the asset for school purposes. At that time, control will revert back to the municipal councils.

The Board has made additions to school buildings, legal title to which is held by the municipality. Under the Education Act, should the buildings in question be disposed of, the Board will be entitled to a portion of any net proceeds of disposition.

(c) Controlled or related enterprises

Investment in or activity of controlled and/or related enterprises is not included in the consolidated financial statements.

(d) Reserves and reserve funds

Reserves and reserve funds represent funds appropriated for general and specific purposes and are charged or credited to the statement of operations in the year appropriated or drawn.

(e) Prepaid expenditures

Prepaid expenditures are charged against income over the period to which the expenditure relates.

(f) Trust funds

The trust funds represent capital contributed in trust on which the income thereon is used to provide scholarships for eligible students.

(g) Basis of consolidation

The consolidated balance sheet is presented using the principles of consolidation prescribed by the Department of Education. The consolidated balance sheet includes the accounts of the general and capital funds. Trust funds are not included in the consolidation. For a detailed review, the reader should refer to the financial statements of each fund as presented in these financial statements.

Capital assets

Capital assets are depreciated using the declining balance method at the following rates:

Buildings	10%
Equipment	20%
Vehicles	30%

Financial instruments

The Strait Regional School Board's financial instruments consist of cash and cash equivalents, receivables, and payables and accruals. Unless otherwise noted, it is management's opinion that the School Board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market value of these financial instruments approximate their carrying values.

3. Reserves

The Board has provided reserves at year end of the following purposes:

Legal and arbitration	$	300,000
Maintenance		52,000
Program enhancements		330,812
	$	682,812

4. Retirement service awards

Many Board employees are entitled to receive services awards of varying amounts depending on the original board they were hired under. Effective April 1, 2002, the Province of Nova Scotia has assumed responsibility for the payment of these awards.

5. Pension plans

Teachers

The Board's teachers are covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act. The Board is not responsible for funding any deficiencies of this plan.

6. Bank indebtedness

The Board has an operating line of credit of $600,000.

7. Related party transactions

These financial statements do not include certain expenditures paid and services provided on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- Early Retirement Program payments;
- P3 Schools and facilities leases and operating costs;
- Payments for the teachers' pension plan and medical premiums;
- Certain IT systems and support.

8. Comparative figures

Certain of the 2003 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2004.

9. Contingencies and commitments

Recoveries

The Board is attempting to recover certain amounts that had previously been expended. The amount and likelihood of recovery is unknown at this time.

10. Trust fund equity

	Equity 2003	Donations & Income	Awards	Equity 2004
Catherine Avery Bursary	$ 1,783	$ 103	$	$ 1,886
Allistair Fraser Award	8,954	516	1,000	8,470
Ray Caldwell Scholarship	5,373	310	300	5,383
Dorothy Jost Drysdale Scholarship	2,263	131	100	2,294
Roy Fanning-Hillside Bursary	12,502	721	1,400	11,823
Norman Grant Scholarship	20,875	1,203	1,200	20,878
Carol Long Scholarship	10,040	579	250	10,369
NSP Employees Scholarship	18,054	1,040	450	18,644
James Russell Scholarship	2,405	139	---	2,544
Mulgrave Bursary Fund	1,798	104	---	1,902
Bertha Morgan Scholarship	1,054	61	---	1,115
Henry Marshall Tory Prize	58,937	3,396	2,000	60,333
James Tory Prize	---	1,000	---	1,000
Paul Hendsbee Memorial	1,094	63	250	907
Donald Archibald Memorial	1,038	60	---	1,098
Neil & Eileen MacIsaac Bursary	2,500	116	100	2,516
Thomas Williams Prize	5,000	357	200	5,157
Tina Munro Hickey Prize	10,005	555	550	10,010
Jesse Sceles Memorial	2,091	120	---	2,211
	$ 165,766	$ 10,574	$ 7,800	$ 168,540

STRAIT REGIONAL SCHOOL BOARD

General Fund
Detail of Revenue
Year Ended March 31, 2004

	2004		2003
	Budget	Actual	Actual
Revenue			
Province of Nova Scotia			
Operating	$ 46,471,500	$ 46,672,062	$ 45,239,933
Restricted	4,253,500	4,434,591	4,245,953
Capital	195,700	190,000	523,983
Special programs and projects	177,231	731,112	728,265
	$ 51,097,931	$ 52,027,765	$ 50,738,134
Government of Canada			
Secretary of State	$ 118,250	$ 128,377	$ 163,177
Board operations			
Board generated - other	$ 5,000	$ 537	$ 125,447
Other revenue - schools	135,000	475,652	169,860
Tuition - students	---	---	33,650
Rentals	70,144	84,145	85,116
Investment income	60,000	122,780	67,019
Recoveries - non-governmental	2,447,896	2,447,896	2,669,226
	$ 2,718,040	$ 3,131,010	$ 3,150,318

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

General Fund
Details of Expenditure
Year Ended March 31, 2004

	2004		2003
	Budget	**Actual**	**Actual**
Board Governance			
Board members	$ 172,924	$ 163,438	$ 183,278
Board secretary	31,914	32,714	29,996
NSSBA and other	50,344	57,789	50,343
	$ 255,182	$ 253,941	$ 263,617
Regional Management			
Management services	$ 832,436	$ 795,390	$ 1,052,627
Financial services	635,737	624,281	673,316
Human resource services	482,304	394,374	516,360
Communication services	68,501	69,762	78,997
	$ 2,018,978	$ 1,883,807	$ 2,321,300
School Management and Support			
School management	$ 4,854,822	$ 4,474,277	$ 4,429,842
Program and curriculum support	986,540	1,043,177	903,567
ITS-site specific	496,781	500,239	455,314
	$ 6,338,143	$ 6,017,693	$ 5,788,723
Instructional and School Services			
Instruction	$ 33,869,811	$ 33,285,160	$ 32,824,278
Guidance services	705,432	983,276	927,600
Library services	797,177	833,082	763,830
	$ 35,372,420	$ 35,101,518	$ 34,515,708
Student Support			
Program management	$ 290,801	$ 274,145	$ 254,342
Instruction	5,899,490	5,971,411	5,370,145
Program and curriculum support	761,571	682,158	505,288
	$ 6,951,862	$ 6,927,714	$ 6,129,775
Property Services			
Management services	$ 237,939	$ 253,728	$ 238,330
Custodial services	3,614,013	3,514,434	3,492,696
Maintenance services	4,795,573	4,966,114	5,288,021
Grounds services	225,000	307,113	354,480
	$ 8,872,525	$ 9,041,389	$ 9,373,527
Student transportation			
Management services	$ 412,430	$ 428,667	$ 459,438
Transportation (Board)	4,765,456	4,793,326	4,577,536
Maintenance (Board)	646,925	629,332	669,166
Transportation (Contract)	85,000	99,290	85,478
Site maintenance	3,000	11,448	2,010
	$ 5,912,811	$ 5,962,063	$ 5,793,628

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

Trust Fund Balance Sheet
March 31, 2004

ASSETS

	2004	2003
Cash	$ 168,540	$ 165,766

EQUITY

	2004	2003
Equity in trust funds (Note 10)	$ 168,540	$ 165,766

See accompanying notes to the consolidated financial statements.

AUDITOR'S REPORT

To the Minister Responsible for Sydney Environmental Resources Limited

We have audited the operating fund balance sheet of Sydney Environmental Resources Limited for the year ended March 31, 2004 and the statement of revenue and expenditures for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2004, and the results of its operations for the year then ended, in accordance with Canadian generally accepted accounting principles except as disclosed in Note 3.

Nash & Associates
Chartered Accountant

April 22, 2004

SYDNEY ENVIRONMENTAL RESOURCES LIMITED

Balance Sheet
as at March 31, 2004

ASSETS

	2004	2003
Current		
Cash	$ —	$ 231,062
Accounts receivable (Note 4)	267,466	189,682
Prepaid expenses	—	2,480
	$ 267,466	$ 423,224

LIABILITIES

	2004	2003
Current		
Bank indebtedness	$ 52,677	$ —
Accounts payable and accrued liabilities	214,788	334,001
Due to Province of Nova Scotia (Note 5)	—	89,222
	267,465	423,223

EQUITY

	2004	2003
Share capital (Note 8)	1	1
	$ 267,466	$ 423,224

Commitments (Note 7)

Statement of Revenue and Expenditures
Year Ended March 31, 2004

	2004	2003
Revenue		
Province of Nova Scotia		
Operations	$ 1,168,814	$ 1,164,038
Site security and other community costs	478,253	512,224
Sydney Steel site decommissioning	2,860,786	2,824,819
	4,507,853	4,501,081
Expenditures		
Operations (Schedule 1)	1,168,814	1,164,038
Site security and other community costs		
Wages and benefits	301,165	298,780
Supplies and services	177,088	213,444
Sydney Steel site decommissioning		
Wages and benefits	2,431,656	2,403,543
Supplies and services	429,130	421,276
	4,507,853	4,501,081
Excess revenue over expenditures	$ —	$ —

SYDNEY ENVIRONMENTAL RESOURCES LIMITED

Notes to the Financial Statements
Year Ended March 31, 2004

1. AUTHORITY AND OBJECTIVE

The Company was incorporated under the Nova Scotia Companies Act on July 10, 1990. It was established as a crown corporation of the Province of Nova Scotia by Order-in-Council on March 26, 1991. On January 7, 1998 the company changed its name from Sydney Tar Ponds Clean-Up Inc. to Sydney Environmental Resources Limited.

Its current objective is to utilize its resources in emerging community based environmental initiatives.

2. CONTINUATION OF THE BUSINESS

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The continuation of the Company is dependent upon obtaining necessary funding from the Province of Nova Scotia and/or the Government of Canada.

3. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles except as outlined below.

a) Financing

The Company, an agency of Her Majesty, receives legislative appropriations for operating expenditures. These appropriations are reflected as operating grants to the extent of operating expenditures. Any excess appropriations are accounted for as deferred operating grants. Consequently, the Company does not have any equity.

b) Capital Assets

In accordance with funding requirements, the cost of capital assets are accounted for as current operating expenditures.

4. ACCOUNTS RECEIVABLE

	2004	2003
Sydney Steel site decommissioning	$ 167,641	$ 155,290
HST receivable	28,719	18,114
Province of Nova Scotia	21,121	—
Other	49,985	16,278
	$ 267,466	$ 189,682

5. PROVINCE OF NOVA SCOTIA FUNDING

The Company received the following amounts from the Province of Nova Scotia in the year:

	2004	2003
Current operating grant	$ 1,168,814	$ 1,164,038
Site security and other community costs	478,253	512,224
	$ 1,647,067	$ 1,676,262

As at March 31, 2004 there was a net receivable from the Province of Nova Scotia for expenditures in excess of funding received of $21,121 (2003 - $89,222 payable).

6. RELATED PARTY TRANSACTIONS

In addition to the related party transactions in Note 5 above, the Company is related in terms of common ownership to all Province of Nova Scotia created departments, agencies and crown corporations. The Company enters into transactions with these entities in the normal course of business.

7. COMMITMENTS

a) Operations

The Company has committed to the Province of Nova Scotia, that it will run its affairs in accordance with Provincial standards. Its operations will be accountable to the Province through the Minister responsible for Sydney Environmental Resources Limited.

b) Sydney Steel Corporation

The Company has undertaken to hire displaced Sydney Steel Corporation employees.

8. SHARE CAPITAL

Authorized
50,000 common shares with no par value

Issued	
1 Share at $1	$ 1

Schedule 1

SYDNEY ENVIRONMENTAL RESOURCES LIMITED

Operating Expenditures
Year Ended March 31, 2004

	2004	2003
Operating expenditures		
Directors' fees	$ 11,325	$ 12,719
Health, safety and environmental	104,637	71,977
Incineration plant operation and maintenance	14,200	14,049
Incineration plant overhead	187,080	217,834
Office	29,834	35,253
Professional fees	27,426	19,368
Public information	36,930	35,184
Rent	30,000	30,000
Salaries and benefits	675,944	660,138
Technical services	29,294	43,103
Telephone	10,845	10,783
Travel	10,669	13,630
	$ 1,168,184	$ 1,164,038

AUDITORS' REPORT

To the Shareholder of
Sydney Steel Corporation

We have audited the balance sheet of Sydney Steel Corporation ("the Corporation") as at March 31, 2004 and the statement of changes in net assets in liquidation for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the changes in net assets in liquidation for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants

SYDNEY STEEL CORPORATION

Balance Sheet
As at March 31, 2004

ASSETS

	2004	2003
	(in thousands)	
Current assets:		
Cash	$ 8,970	$ 16,012
Accounts receivable - trade	744	1,417
Receivable from Province of Nova Scotia	34,871	22,662
Inventory	16	188
Prepaid Expenses	277	340
	44,878	40,619
Property, plant and equipment (note4)	712	747
	$ 45,590	$ 41,366

LIABILITIES

	2004	2003
Current liabilities		
Trade payables	$ 1,667	$ 1,659
Deposits and holdbacks payable	2,246	2,572
Property taxes payable	485	—
	4,398	4,231
Net assets in liquidation	$ 41,192	$ 37,135

Commitments (note 5)

Contingent liability (note 7)

See accompanying notes to financial statements.

SYDNEY STEEL CORPORATION

Statement of Changes in Net Assets in Liquidation
for the year ended March 31, 2004

(in thousands)

	Closure activities	Demolition and remediation activities	Continuing activities	Total 2004 (12 months)	Total 2003 (15 months)
Increases in net assets in liquidation					
Contributions from Province of Nova Scotia (note 3) . . .	$ 668	$ 11,541	$ ---	$ 12,209	$ 17,010
Proceeds on disposal of assets	3,203	26	---	3,229	1,239
Sale of scrap steel.	---	3,131	---	3,131	13,602
Other income.	72	103	421	596	428
Interest	---	---	226	226	460
	3,943	14,801	647	19,391	32,739
Decreases in net assets in liquidation					
Demolition and remediation.	---	7,039	---	7,039	9,633
General and administration	145	1,229	1,152	2,526	3,416
Scrap processing.	---	1,651	---	1,651	6,395
Professional fees	328	922	96	1,346	2,102
Salaries and wages.	115	1,007	57	1,179	1,395
Property taxes.	97	874	70	1,041	1,224
Electricity.	55	470	27	552	724
	740	13,192	1,402	15,334	24,889
Increase (decrease) in net assets in liquidation.	$ 3,203	$ 1,609	$ (755)	4,057	7,850
Net assets in liquidation - Beginning of period.				37,135	29,285
Net assets in liquidation - End of period.				$ 41,192	$ 37,135

SYDNEY STEEL CORPORATION

Notes to Financial Statements
for the year ended March 31, 2004

1. Status

Sydney Steel Corporation ("the Corporation") is a Crown Corporation incorporated by the special act of the Province of Nova Scotia.

2. Significant accounting policies

a) Basis of presentation:

Effective December 31, 2000, the Corporation changed its basis of accounting from a going concern basis to a liquidation basis in accordance with generally accepted accounting principles.

b) Valuation of non-cash assets

Effective with the December 31, 2000 adoption of the liquidation basis of accounting, the accounting basis for the Corporation's non-cash assets was established as their estimated realizable values at that date.

The non-cash assets at March 31, 2004 are valued at the lower of cost and net realizable value.

c) Mode and presentation of operations

Ernst & Young Inc. has been appointed agent of the Province of Nova Scotia pursuant to a mandate which currently is to sell the assets of the Corporation and to direct the evolution of a land use plan and redevelopment strategy for the property.

The financial statement presentation format distinguishes three aspects or phases of the mandate, namely:

- closure activities;
- demolition and remediation activities; and
- continuing activities.

A brief description of each activity follows:

i) Closure activities

Closure activities are those principally related to the shut down of the former operating plant, the liquidation of the former operating assets and the associated direct and indirect costs necessary to carry out these functions.

ii) Demolition and remediation activities

Demolition and remediation activities are those related to the Corporation's evolving site remediation plan and consist principally of fees and contracts for demolition and remediation work and the associated direct and indirect costs incidental to these functions.

iii) Continuing activities

Continuing activities are those not closely aligned with either the closure or demolition and remediation activities. As at March 31, 2004, they consist principally of the investment management function and those activities arising from redevelopment strategies adopted by the Corporation concerning the property's future use.

d) Property, plant and equipment

Property, plant and equipment are amortized using the straight - line method at the following rates:

Equipment	10 years
Vehicles	5 years

e) Revenue recognition

Revenue is recognized when the risks and rewards of ownership have been substantially transferred and when collection is reasonably assured.

f) Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

The allocation of increases and decreases in net assets in liquidation between "Closure activities" "Demolition and remediation activities" and "Continuing activities" represents management's best estimate of these amounts. In arriving at this estimate, management first allocated revenues and costs for which the appropriate allocation is readily determinable. Management then assessed the overall level of activities during the period and allocated the remainder of the costs on this basis.

g) Foreign currency translation

Foreign currency translation of the current assets and liabilities denominated in U.S. dollars is converted at the rate of exchange in effect at the balance sheet date. Income and expense items are translated at the rate of exchange in effect at the translation date. Translation gains or losses are included in determining the change in net assets in liquation for the period. Included in continuing activities in the current period is a foreign exchange loss of $1,065,000 (2003 - $776,000).

3. Province of Nova Scotia

In connection with the former active operations of Sydney Steel Corporation, the Province of Nova Scotia has:

- provided cash infusions as required by the Corporation to meet its operating obligations;
- agreed to assume responsibility for Sydney Steel Corporation site environmental matters; and
- established the Sydney Steel Corporation Superannuation Fund to assume direct responsibility for the Corporation's pension obligations.

In connection with the current liquidation and redevelopment plan, the Province has committed to continuing support and has established in its accounts provisions for the closure activities and demolition and remediation activities. Expenses incurred during the period related to these provisions and for which the Corporation will receive reimbursement from the Province include:

- $668,000 (2003 -$1.697,000) in respect of closure activities; and
- $11,541,000 (2003 - $15.313,000) in respect of demolition and remediation activities.

4. Property, plant and equipment

	March 31, 2004			March 31, 2003
	Cost	Accumulated Amortization	Net book Value	Net book Value
	(In thousands)			
Related to closure activities				
Land, buildings and equipment	$ 441,298	$ 441,297	$ 1	$ 1
Related to demolition and remediation activities				
Equipment	741	118	623	698
Vehicles	107	19	88	48
Total	$ 442,146	$ 441,434	$ 712	$ 747

Amortization for the period of $86,000 (2003 - $50,000) is included in demolition and remediation costs.

5. Commitment

a) In fiscal 2001, the Corporation engaged a demolition firm to remove structures and buildings on the property. The value of the contract is estimated at $7,700,000. For the period ended March 31, 2004, the Corporation incurred expenditures of approximately $200,000 (2003 - $2,300,000) which are included in demolition and remediation costs.

b) Within the context of its redevelopment strategy the Corporation, effective April 15, 2002, reached agreement to lease to a tenant approximately 90 acres of property which includes the wharf and related facilities. The initial lease is for a period of ten years.

c) In fiscal 2003, the Corporation signed an agreement to sell all the steel production equipment for $3,000,000 US. The equipment is to be removed by fiscal 2005,a the latest. In the current period, revenue of $3,400,000 (2003 - $646,000) has been recorded in the financial statements.

6. Related party transactions

Included in the statement of changes in net assets in liquidation are charges for labour and materials of $2,555,000 (2003 - $3,345,000) from Sydney Environmental Resources Limited, a Crown Corporation controlled by the Province of Nova Scotia.

These transactions are in the normal course of operations and are measured at the exchange amount which approximates fair market value.

7. Contingent liability

The Corporation is a defendant in a lawsuit alleging damages as a result of environmental contamination caused by years of steel marking. This litigation is in its preliminary stages and the outcome is not currently predictable.

AUDITORS' REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the consolidated statement of net assets available for benefits and accrued pension benefits net of deficiency of the Sydney Steel Corporation Superannuation Fund as at March 31, 2004 and the consolidated statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits net of deficiency of the Fund as at March 31, 2004 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The current year's supplementary information included in Schedules A and B are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 20, 2004

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

Consolidated Statement of Net Assets Available for Benefits and Accrued Pension Benefits Net of Deficiency as at March 31

	2004	2003
NET ASSET AVAILABLE FOR BENEFITS		
Assets		
Marketable securities under administration (Note 3):		
Cash and short-term notes	$ 628,877	$ 589,590
Bonds and debentures	5,132,411	6,402,686
Equities	9,164,989	9,727,946
Interest and dividends receivable	57,993	81,175
	14,984,270	16,801,397
Cash	363,999	56,106
Total assets	15,348,269	16,857,503
Liabilities		
Investment transactions outstanding	25,041	---
Accounts payable and accrued liabilities	22,296	66,921
Total liabilities	47,337	66,921
Net assets available for benefits	$ 15,300,932	$ 16,790,582
ACCRUED PENSION BENEFITS NET OF DEFICIENCY		
Accrued pension benefits	$ 235,683,800	$ 242,675,300
Deficiency (Note 4)	(220,382,868)	(225,884,718)
Accrued pension benefits net of deficiency	$ 15,300,932	$ 16,790,582

See accompanying notes to consolidated financial statements.

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

Consolidated Statement of Changes in Net Assets Available for Benefits
for the Year Ended March 31, 2004

	2004	2003
Increase In Assets		
Contributions:		
Province of Nova Scotia	$ 19,794,331	$ 7,363,552
Investment income:		
Interest on investments	343,005	576,426
Dividends on investments	98,451	161,101
Gain on sale of investments	1,224,488	665,274
Current period change in market values of investments	1,628,375	---
Total increase in assets	23,088,650	8,766,353
Decrease In Assets		
Benefits paid	24,328,714	25,141,076
Operating expenses (Note 5)	249,586	320,240
Current period change in market values of investments	---	5,480,651
Total decrease in assets	24,578,300	30,941,967
Decrease In Net Assets	(1,489,650)	(22,175,614)
Net Assets Available for Benefits at Beginning of Year	16,790,582	38,966,196
Net Assets Available for Benefits at End of Year	$ 15,300,932	$ 16,790,582

See accompanying notes to consolidated financial statements.

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

Notes to Consolidated Financial Statements
Year Ended March 31, 2004

1. Authority and Description of Plans:

The Sydney Steel Corporation Superannuation Fund (the "Fund") was established under the Sydney Steel Corporation Sale Act and was effective March 1, 2001. The Fund assumed responsibility for the assets and obligations of the former Sydney Steel Corporation pension plans. Under the Sub-section 7(9) of the Sydney Steel Corporation Sale Act, the Province of Nova Scotia has assumed responsibility to fund any shortfalls arising under this Fund.

The following descriptions are a summary only. For more complete information, reference should be made to the Plan agreements.

a) United Steel Workers of America Pension Plan:

The Plan is a non-contributory defined benefit plan, covering employees of Sydney Steel Corporation who are members of Locals 1064, 6537 and 6516 of the United Steelworkers of America.

A service pension is available based on $30.00 per month per year of service, effective January 1, 1995 (previously $16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Death benefits are available if certain criteria are met.

b) Salaried Pension Plan:

The Plan is a partially contributory defined benefit pension plan covering the salaried employees of Sydney Steel Corporation.

A service pension is available based on $30.00 per month per year of service, effective January 1, 1995 (previously $16.50 per month), to a maximum of 35 years plus certain percentages of required contributions made after May 1, 1995.

Senior management employees receive pension benefits different from the above.

Death benefits are available if certain criteria are met.

c) Canadian Union of Public Employees Pension Plan:

The Plan is a non-contributory defined benefit plan covering employees of Sydney Steel Corporation who are members of Local 1675 of the Canadian Union of Public Employees.

A service pension is available based on $35.00 per month per year of service, effective January 1, 1995 (previously $16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Death benefits are available if certain criteria are met.

2. Significant Accounting Policies:

a) Basis of consolidation:

The consolidated financial statements include the accounts of the following pension plans:
- United Steel Workers of America Pension Plan
- Salaried Pension Plan
- Canadian Union of Public Employees Pension Plan

b) Basis of presentation:

As the Province of Nova Scotia has assumed any shortfall arising under this Fund (note 1), these consolidated financial statements are prepared on the going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. They are prepared in accordance with Canadian generally accepted accounting principles.

c) Marketable securities:

Marketable securities are reported as of the trade date and stated at market value as at year-end. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Bonds, debentures and equities are valued using published market quotations. The current period change in market value of investments for the year is reflected in the Consolidated Statement of Changes in Net Assets Available for Benefits.

d) Gains and losses on sale of investments:

Gains and losses arising on the sale of investments are determined by relating the sale proceeds of the investments to their original cost.

e) Foreign Currency Translation:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. The market value of foreign investments and cash balances held at year end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in current period change in market value of investments.

f) Non-Investment Assets and Liabilities:

The fair value of cash and short-term notes, interest and dividents receivable, investment transactions outstanding and accounts payable approximate their carrying amounts due to their short-term nature.

g) Benefits:

Benefit payments to retired members and commuted value payments are recorded in the period in which they are paid. Accrued benefits are recorded as part of acccrued acturial liabilities.

h) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

3. Investments:

Investment Risk Management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to foreign currency, interest rate volatility, market and credit risk:

(a) Interest Rate Risk:

Interest rate risk refers to the fact that the Plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the Plan's assets and cash flows related to the Plan's liabilities.

Interest bearing investments as classified by the earliest of the contractual repricing date or the maturity date are as follows:

	March 31, 2004						March 31, 2003	
	Within 1 year	**1 to 5 years**	**5 to 10 years**	**Over 10 Years**	**Total**	**Average effective yield**	**Total**	**Average effective yield**
Money market	$ 628,877	$ ---	$ ---	$ ---	$ 628,877	2.6%	$ 589,590	3.5%
Bonds and debentures	352,573	2,776,604	447,495	1,555,739	5,132,411	5.0%	6,402,686	5.8%
Total	$ 981,450	$ 2,776,604	$ 447,495	$ 1,555,739	$ 5,761,288		$ 6,992,276	

The average effective yield reflects the estimated annual income a security as a percentage of its year-end market value.

(b) Market Risk:

Market risk is the risk that the value of an investment will fluctuate as a reslut of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The fund's policy is to invest in a diversified portfolio of investments to mitigate the impact of market risk.

(c) Credit risk:

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss. The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher.

(d) Foreign currency risk:

Foreign currency exposure arises from the Plan's holding of foreign currency-denominated equities.

4. Actuarial Valuation:

Actuarial valuations of the Plans are carried out periodically and provide an estimate of the accrued pension benefits (Fund liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Eckler Partners Limited, performed a valuation as at December 31, 2003 and issued their report in June 2004. The report indicated that the Plans had an unfunded liability of $222.3 million. A projection to March 31, 2004, applying the assumptions summarized below, indicated an unfunded liability of $220.4 million (March 31, 2003 - 225.9 million).

The actuarial valuation projects liabilities for each member on the basis of the pension credit years earned. The actuaries have used the unit credit method of determining the actuarial liability. The major economic and demographic assumptions used in the last valuation are as follows:

	Estimate March 31, 2004	**Estimate December 31, 2001**
Inflation (only applied to the salary plan)	3.0% per annum	3.0% per annum
Average Salary Increase	Not applicable	Not applicable
Interest (discount) rate	6.17% per annum	7.05% per annum
Retirement Age	Earliest unreduced retirement date	Earliest unreduced retirement date
Mortality	1994 Group Annuity Mortality Table projected to 2000 using scale AA	1994 Group Annuity Mortality Table projected to 2000 using scale AA

5. Operating Expenses:

The Fund is charged with administrative and other expenses, certain of which are incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses.

	2004	2003
Investment Expenses		
Investment management fees	$ 89,618	$ 151,626
Plan Administration		
Professional services	$ 64,955	$ 56,103
Salaries	74,341	75,066
Supplies and services	10,927	21,780
Travel	1,194	6,568
Other	8,551	9,097
	$ 159,968	$ 168,614
Total Operating Expenses	$ 249,586	$ 320,240

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

Schedule A - Assets Available for Benefits by Pension Plan
March 31

	United Steel Workers of America (Locals 1064, 6537 and 6516 Pension Plan	Salaried Pension Plan	Canadian Union of Public Employees (Local 1675) Pension Plan	Total
2004				
Investments	$ ---	$ 14,862,361	$ 96,868	$ 14,959,229
Cash	363,999	---	---	363,999
	363,999	14,862,361	96,868	15,323,228
Less: Accounts payable and accrued liabilities	17,813	3,976	507	22,296
Net assets available for benefits	$ 346,186	$ 14,858,385	$ 96,361	$ 15,300,932
Accrued pension benefits	$ 178,209,700	$ 55,115,900	$ 2,358,200	$ 235,683,800
Deficiency	(177,863,514)	(40,257,515)	(2,261,839)	(220,382,868)
Accrued pension benefits net of deficiency	346,186	14,858,385	96,361	$ 15,300,932
2003				
Investments	$ ---	$ 16,518,423	$ 282,974	$ 16,801,397
Cash	54,530	1,576	---	56,106
	54,530	16,519,999	282,974	16,857,503
Less: Accounts payable and accrued liabilities	54,441	11,529	951	66,921
Assets available for benefits	$ 89	$ 16,508,470	$ 282,023	$ 16,790,582
Accrued pension benefits	$ 186,457,600	$ 53,891,600	$ 2,326,100	$ 242,675,300
Deficiency	(186,457,511)	(37,383,130)	(2,044,077)	(225,884,718)
Accrued pension benefits net of deficiency	89	16,508,470	282,023	$ 16,790,582

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

Schedule B - Changes in Assets Available for Benefits by Pension Plan
Year ended March 31, 2004

	United Steel Workers of America (Locals 1064, 6537 and 6516 Pension Plan	Salaried Pension Plan	Canadian Union of Public Employees (Local 1675) Pension Plan	Total
2004				
Increase in Assets				
Contributions:				
Province of Nova Scotia	$ 19,752,152	$ 39,836	$ 2,343	$ 19,794,331
Interest and dividends on investments	497	435,500	5,459	441,456
Gain on sale of investments	---	1,209,331	15,157	1,224,488
Current period change in market value of investments	---	1,608,219	20,156	1,628,375
	19,752,649	3,292,886	43,115	23,088,650
Decrease in Assets				
Benefits paid	19,214,773	4,889,387	224,554	24,328,714
Administrative expenses	191,779	53,584	4,223	249,586
Current period change in market value of investments	---	---	---	---
	19,406,552	4,942,971	228,777	24,578,300
Increase (decrease) in Net Assets	346,097	(1,650,085)	(185,662)	(1,489,650)
Assets available for benefits, beginning of year	89	16,508,470	282,023	16,790,582
Assets available for benefits, end of year	$ 346,186	$ 14,858,385	$ 96,361	$ 15,300,932
2003				
Increase in Assets				
Contributions:				
Province of Nova Scotia	$ 7,275,612	$ 83,054	$ 4,886	$ 7,363,552
Interest and dividends on investments	124,324	599,581	13,622	737,527
Gain on sale of investments	148,564	505,893	10,817	665,274
	7,548,500	1,188,528	29,325	8,766,353
Decrease in Assets				
Benefits paid	19,804,914	4,995,624	340,538	25,141,076
Administrative expenses	291,373	38,105	(9,238)	320,240
Current period change in market value of investments	1,223,898	4,167,637	89,116	5,480,651
	21,320,185	9,201,366	420,416	30,941,967
Decrease in Net Assets	(13,771,685)	(8,012,838)	(391,091)	(22,175,614)
Assets available for benefits, beginning of year	13,771,774	24,521,308	673,114	38,966,196
Assets available for benefits, end of year	$ 89	$ 16,508,470	$ 282,023	$ 16,790,582

AUDITOR'S REPORT

To the Shareholder of TPP Investments I Inc.

We have audited the balance sheet of TPP Investments I Inc as at December 31, 2003 and the statements of earnings and retained earnings and cash flows for the period from incorporation on June 6, 2003 to December 31, 3003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and the results of its operations and cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Winnipeg, Canada
March 19, 2004

TPP INVESTMENTS I INC.

Balance Sheet
December 31, 2003

		2003
ASSETS		
Income producing properties (note 3)	$	9,276,002
Accounts receivable		346
Cash		257,778
	$	9,534,126
LIABILITIES and SHAREHOLDER'S EQUITY		
Accounts payable and accrued liabilities	$	27,316
Shareholder's equity:		
Share capital (note 4)		9,287,536
Retained earnings		219,274
		9,506,810
	$	9,534,126

See accompanying notes to financial statements

TPP INVESTMENTS I INC.

Statement of Earnings and Retained Earnings
Period from incorportion on June 6, 2003 to December 31, 2003

		2003
Property revenue	$	340,994
Property operating expenses		13,826
Gross income		327,168
Amortization		80,482
Net operating income		246,686
Investment income		170
		246,856
Administrative costs		5,000
Asset management fees		19,493
Performance fees		3,089
Net earnings, being retained earnings, end of period	$	219,274

See accompanying notes to financial statements.

TPP INVESTMENTS I INC.

Statement of Cash Flows
Period from incorporation on June 6, 2003 to December 31, 2003

		2003
Cash flows from operating activities:		
Net earnings	$	219,274
Items not involving cash:		
Amortization		80,482
		299,756
Change in non-cash operating working capital:		
Accounts receivable		(346)
Accounts payable and accrued liabilities		27,316
Cash flows from operating activities		326,726
Cash flows from financing activities:		
Issue of common shares		9,287,536
Cash flows used in investing activities:		
Purchase of income producing property		(9,356,484)
Increase in cash, being cash, end of period	$	257,778

See accompanying notes to financial statements.

TPP INVESTMENTS I INC.

Notes to Financial Statements
Period from incorporation on June 6, 2003 to December 31, 2003

1. Operations:

TPP Investments I Inc. (the "company") was incorporated and registered June 6, 2003 under the Nova Scotia Companies Act by the Minister of Finance for the Province of Nova Scotia, as trustee of The Nova Scotia Teachers' Pension Fund.

The company shall limit its activities to:

(i) acquiring, holding, maintaining, improving, leasing or managing capital property (as construed for the purposes of the Income Tax Act, R.S.C. 1985, c.1 (5th Supplement), as amended from time to time in the Income Tax Act) that is real property or an interest in real property owned by the company, another corporation, described by subparagraphs 149(1)(o.2)(ii) and 149(1)(o.2)(iv) of the Income Tax Act, or a pension plan registered with the Minister of National Revenue pursuant to the Income Tax Act; and

(ii) investing its funds in a partnership that limits its activities to acquiring, holding, maintaining, improving, leasing and/or managing capital property as construed for the purposes of the Income Tax Act that is real property or a interest in real property owned by the partnership.

The company cannot make investments other than in real property, interest therein or investments that a pension plan is permitted to make under the Pension Benefits Standards Act, 1985 or a similar law of a province.

The company cannot borrow money other than for the sole purpose of earning income from real property or an interest therein.

On August 1, 2003, the company purchased a 27.5% interest in a real property investment (an office building) located at 7070 Mississauga Road, Mississauga, Ontario. The company entered into a property management and an asset management agreement with GWL Realty Advisors Inc. ("GWLRA"), a wholly-owned subsidiary of The Great-West Life Assurance Company, to manage the property and provide advisory services.

2. Significant accounting policies:

(a) Basis of accounting:

These financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants and conform with the accounting recommendations provided by the Canadian Institute of Public and Private Real Estate Companies.

(b) Properties:

Income-producing properties held for investment are recorded at the lower of cost less amortization and net recoverable amount. Net recoverable amount represents the estimated net undiscounted future cash flows from the ongoing use and residual value of the property. Amortization on buildings is provided on a straight-line basis over the expected life of the property not to exceed a 40 year period.

Properties held for sale or future development are carried at the lower of costs capitalized, including all incidental revenue and expenses, and net realizable value.

Leasing costs are deferred and amortized over the term of the lease to which they relate.

Building improvement costs are deferred and amortized on a straight-line basis over a rolling 10 year period.

(c) Co-ownership interest:

Investments in real estate co-ownerships are accounted for by the proportionate consolidation method.

(d) Measurement uncertainty:

Financial statements require management to make estimates and assumptions which can effect the reported balances. In determining estimates of net recoverable amounts for its income producing property, the company relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events.

By nature, asset valuations are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated net recoverable amount may change by a material amount.

3. Income producing property:

The carrying value of the income producing property is comprised of:

Land	$	1,630,234
Building		7,726,250
Accumulated amortization		(80,482)
	$	9,276,002

4. Share capital:

The authorized capital of the company is 100,000 common shares without nominal or par value, with power to divide the shares in capital for the time being into several classes and/or to attach thereto respectively any preferential, common deferred, or qualified rights, privileges or conditions, including restrictions on voting and including redemption or purchase of such shares, subject, however, to the provisions of the Companies Act and amendments thereto.

	Number of Shares		Amount
Cash contributed as capital	100	$	9,287,536

5. Financial instruments:

The company has the following financial instruments: accounts receivable, cash and accounts payable and accrued liabilities. The carrying values of the accounts receivable, cash and accounts payable and accrued liabilities at December 31, 2003 approximate their fair values due to the short-term nature of these financial assets and liabilities.

6. Advisor and property manager:

The portfolio has management agreements with GWLRA, under which GWLRA is responsible for the acquisition, development, disposal and management of real estate properties and performance of all administrative and clerical functions on behalf of the company. These fees are charged to the property on the balance sheet or to the statement of earnings as applicable. The following fees were incurred for the above services:

Annual asset management fee	$	19,493
Annual performance fee		3,089
Annual management fee		6,669
Acquisition fee		45,719

7. Income taxes:

The company conducts its affairs so as to qualify as a tax exempt corporation under Section 149(1)(o.2) of the Income Tax Act (Canada). Accordingly, no provision for income taxes has been made in these financial statements.

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the consolidated balance sheet of Trade Centre Limited as at March 31, 2004 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Halifax, Canada
June 2, 2004

TRADE CENTRE LIMITED

Consolidated Balance Sheet
March 31, 2004, with comparative figures for 2003

ASSETS

	2004	2003
Current assets:		
Cash and cash equivalents	$ 2,081,157	$ 1,738,988
Accounts receivable (note 2)	1,670,423	2,881,046
Inventories	161,340	173,051
Prepaid expenses	74,381	49,450
	3,987,301	4,842,535
Deferred charges	61,860	---
Property and equipment (note 3):		
Land, building, furniture and equipment and tenant leaseholds	39,833,986	39,296,712
Less accumulated depreciation and amortization	(25,574,257)	(24,173,735)
	14,259,729	15,122,977
	$ 18,308,890	$ 19,965,512

LIABILITIES AND SHAREHOLDER'S EQUITY

	2004	2003
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,913,872	$ 2,420,188
Due to the Province of Nova Scotia	546,868	635,183
Event deposits	453,259	516,565
Deferred revenue	190,346	11,941
	3,104,345	3,583,877
Other liabilities (note 7)	226,704	113,352
Due to the Province of Nova Scotia	179,877	150,441
	3,510,926	3,847,670
Shareholder's equity:		
Capital stock:		
Authorized: 1,000,000 common shares without par value		
Issued and outstanding: 100 common shares	100	100
Contributed surplus (note 4)	45,173,101	45,173,101
Deficit	(30,375,237)	(29,055,359)
	14,797,964	16,117,842
	$ 18,308,890	$ 19,965,512

Commitments (note 5)

See accompanying notes to consolidated financial statements.

TRADE CENTRE LIMITED

Consolidated Statement of Operations and Deficit
Year ended March 31, 2004, with comparative figures for 2003

	2003	2003
Revenues:		
Convention Centre	$ 6,133,270	$ 7,180,887
Office Tower	2,220,082	2,177,787
Exhibition Park	1,550,465	1,613,574
World Trade Centre	325,303	128,088
Halifax Regional Municipality Convention Centre Operating Subsidy (note 6)	504,480	496,535
	10,733,600	11,596,871
Expenses:		
Event expenses	4,442,569	5,222,254
Salaries, wages and benefits	2,247,351	2,352,483
Administration	732,697	718,870
Advertising and marketing	374,905	357,513
Maintenance	909,358	996,898
Energy	884,668	909,857
Taxes and insurance	1,042,435	1,010,302
	10,633,983	11,568,177
Income from operations	99,617	28,694
Other income:		
Gain on disposal of assets	—	1,500
Interest income on short-term investments	28,380	25,710
	28,380	27,210
Income before depreciation and amortization	127,997	55,904
Depreciation and amortization	1,447,875	1,552,752
Loss for the year	(1,319,878)	(1,496,848)
Deficit, beginning of year	(29,055,359)	(27,558,511)
Deficit, end of year	$ (30,375,237)	$ (29,055,359)

See accompanying notes to consolidated financial statements.

TRADE CENTRE LIMITED

Consolidated Statement of Cash Flows
Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
Cash provided by (used in):		
Operations:		
Loss for the year	$ (1,319,878)	$ (1,496,848)
Items not involving cash:		
Depreciation and amortization	1,447,875	1,552,752
Gain on disposal of assets	---	(1,500)
Change in non-cash operating working capital	717,871	(267,024)
	845,868	(212,620)
Financing:		
Increase in Due to Province of Nova Scotia	29,436	29,135
Increase in other liabilities	113,352	113,352
	142,788	142,487
Investments:		
Increase in deferred charges	(61,860)	---
Proceeds on disposal of furniture and equipment	---	1,500
Purchase of property and equipment	(584,627)	(189,594)
	(646,487)	(188,094)
Increase (decrease) in cash and cash equivalents	342,169	(258,227)
Cash and cash equivalents, beginning of year	1,738,988	1,997,215
Cash and cash equivalents, end of year	$ 2,081,157	$ 1,738,988

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Year ended March 31, 2004

The Trade Centre Limited is incorporated under the laws of the Province of Nova Scotia and its principal business activities include the operation of a trade and convention centre, leasing of office and commercial space and the operation of Exhibition Park. Trade Centre Limited is a government business-type enterprise as defined by Public Sector Accounting and Assurance Recommendations.

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of Trade Centre Limited and those of Maritime Fall Fair Association (the "Association"). Trade Centre Limited exercises control over the Association by virtue of its ability to control the Association's Advisory Board. The Association was incorporated under the Nova Scotia Societies Act on December 22, 1999 and its principal activity is the operation of the annual agricultural fair located at Exhibition Park.

(b) Divisional operations:

The Trade Centre Limited consists of four divisions: the Convention Centre, the Office Tower, Exhibition Park and the World Trade Centre. Revenue and expenses are recorded on the accrual basis.

(c) Cash and cash equivalents:

Cash and cash equivalents include amounts on deposit with financial insititutions and investments with maturities of 90 days or less.

(d) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(e) Property and equipment:

Property and equipment is stated at cost, net of government assistance. Depreciation and amortization is provided on the straight-line basis over the following terms:

Asset	**Rate**
Buildings	15 to 30 years
Furniture and equipment	3 to 5 years
Tenant leaseholds	Lease term

(f) Employee future benefits:

Upon retirement, employees are eligible for a public service award equal to one week's salary per year of serivce to a maximum of six months salary. Management recognizes compensation expense on an accrual basis.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Accounts receivable:

		2004	2003
Halifax Metro Centre	$	677,001 $	872,711
Convention Centre events		614,321	909,978
Exhibition Park events.		34,301	205,217
Events Halifax funding.		262,513	561,299
Atlantic Canada World Trade Centre		87,291	193,848
Other		80,594	106,599
Office Tower rents		(4,731)	94,434
		1,751,290	2,944,086
Less allowance for doubtful accounts		(80,867)	(63,040)
	$	1,670,423 $	2,881,046

3. Property and equipment:

		Cost	Accumulated depreciation and amortization	2004 Net	2003 Net
Land	$	213,113 $	— $	213,113 $	213,113
Building		35,065,402	21,369,851	13,695,551	14,488,840
Furniture and equipment.		3,049,713	2,698,648	351,065	389,135
Tenant leaseholds		1,505,758	1,505,758	—	—
	$	39,833,986 $	25,574,257 $	14,259,729 $	15,091,088

4. Contributed surplus:

		2004	2003
Government of Canada	$	2,750,000 $	2,750,000
Halifax Regional Municipality		1,500,000	1,500,000
Province of Nova Scotia		40,923,101	40,923,101
	$	45,173,101 $	45,173,101

Contributed surplus consists of non-repayable grants from the three levels of government as set forth above to assist in the financing of the capital cost of the project. These grants have been treated as contributed surplus since they have been received by virtue of the Province of Nova Scotia's position as the sole shareholder of the Trade Centre Limited.

5. Commitments:

(a) Trade Centre Limited is committed to minimum annual operating lease payments as follows:

2005	$	348,415
2006		357,157
2007		339,611
2008		292,397
2009		327,955

(b) Trade Centre Limited has entered into a contract in which they have guaranteed a miminum profit in the amount of $400,000 to the Canadian Hockey Association in connection with the hosting of the World Women's Hockey Championship by the Halifax Metro Centre in 2004. The profit earned from this event in fiscal 2005 has exceeded the guaranteed minimum of $400,000.

6. Halifax Regional Municipality Convention Centre Subsidy:

Pursuant to the Financing Agreement of May 14, 1982, the Halifax Regional Municipality makes an annual contribution to the operating deficit of the Convention Centre. In this respect, the Trade Centre Limited has recognized the contribution relating to the 2004 fiscal year in these consolidated financial statements.

7. Supplementary Employee Reitrement Plan:

Trade Centre Limited has a supplemental pension arrangement with the President and Chief Executive Officer to provide post-employment benefits.

The accrued benefit obligation as at March 31, 2004, which is unfunded, is $226,704(2003 - $113,352). This benefit expense for the year is $113,352 (2003 - $113,352).

The significant actuarial assumptions adopted in measuring the Centre's accrued benefit obligation are as follows: discount rate - 7%; rate of compensation increase - 4%.

8. Related party transactions:

The Trade Centre Limited rents significant office tower space to departments and agencies of the Province of Nova Scotia.

For the year ended March 31, 2004, rental revenue and tenant recoveries included $1,700,918 (2003 - $1,689,774) received from departments and agencies of the Province of Nova Scotia.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

9. Events Halifax:

Events Halifax ("Eh!") is a division of the Centre and is included in the activity of the Convention Centre. Eh! was established in fiscal 2000. The purpose of Eh! is to provide marketing and promotion services for the benefit of bringing major sporting and cultural events to the Halifax Regional Municipality.

Convention centre revenue and event expenses both include the amount of $275,797 (2003 - $712,616) relating to the operations of Eh!.

10. Employee Pension Plan:

Employees of the Centre participate in the Public Service Superannuation fund (the "Plan"), a contributory defined benefit pension plan administrated by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. Total employer contributions for 2004 were $133,000 (2003 - $124,000) and are recognized as an expense in the period. The Centre is not responsible for any under-funded liability, nor does the Centre have any access to any surplus that may arise in this Plan.

11. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the balance sheet of Upper Clements Family Theme Park Limited as at March 31, 2004 and the statement of income and deficit for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2004 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 21, 2004

UPPER CLEMENTS FAMILY THEME PARK LIMITED

Balance Sheet
as at March 31, 2004

LIABILITIES AND EQUITY	2004	2003
Current		
Accounts payable and accrued liabilities	$ 1,000	$ 1,000
	1,000	1,000
Equity		
Capital stock	1	1
Contributed surplus (Note 3)	5,667,174	5,667,174
Deficit	(5,668,175)	(5,668,175)
	(1,000)	(1,000)
	$ —	$ —

Continguency (Note 5)

Statement of Income and Deficit
for the year ended March 31, 2004

	2004	2003
Revenue		
Contributions from the Province (Note 4)	$ 1,085	$ 2,054
	1,085	2,054
Expenses		
Professional fees	1,000	1,000
Workers' compensation (Note 2)	—	969
Dues and fees	85	85
	1,085	2,054
Net Income.	—	—
Deficit, beginning of year	(5,668,175)	(5,668,175)
Deficit, end of year	$ (5,668,175)	$ (5,668,175)

See accompanying notes to financial statements.

Notes to Financial Statements
March 31, 2004

1. Authority

The Upper Clements Family Theme Park Limited was created by Order-in-Council #88-17 for the purpose of assisting in the establishment and operation of a family theme park. On April 6, 1994 the Company transferred all of its fixed assets to its shareholder, the Province of Nova Scotia.

The Province has subsequently entered into leasing arrangements with third parties to continue the operations of the park, the latest effective February 1, 1997 to January 31, 2007. Revenue and costs associated with the lease arrangements are included in the accounts of the Province.

The Company's affairs are being managed by staff of the Department of Tourism and Culture, and it is not actively involved in the operation of the family theme park.

2. Significant Accounting Policies

Basis of Financial Statement Presentation

These financial statements have been prepared in accordance with generally accepted accounting principles. A statement of cash flow is not provided since disclosure in the balance sheet and income statement is considered adequate.

3. Contributed Surplus

The contributed surplus balance represents the Province of Nova Scotia's investment in the fixed assets of the park when it was created net of a reduction made in 1994 when the fixed assets were transferred to the Province. No gain or loss was realized on the transfer.

4. Economic Dependence and Related Party Transactions

The Province of Nova Scotia is a related party of the Company. The Company is economically dependent on contributions from the Province of Nova Scotia to continue operating. The extent to which this assistance will be received in the future has not been determined. Details of any transactions between the related parties are separately disclosed in the financial statements.

5. Contingent Liability

An individual, who incurred injuries while working at the park and was receiving workers' compensation benefits, received a lump sum settlement in the 2001 fiscal year. At some point in the future, if the individual's condition becomes worse, additional workers' compensation benefits would be payable by the Company.

Unaudited

VICTIMS' ASSISTANCE FUND

Balance Sheet
as at March 31, 2004

ASSETS

	2004	2003
Cash in Bank	$ 336,740.19	$ 408,292.45
Investments	399,272.00	475,196.11
	$ 736,012.19	$ 883,488.56

LIABILITIES

Fund	$ ---	$ ---

Continuity of Fund
for the year ended March 31, 2004

	2004	2003
Balance, beginning of year	$ 883,488.56	$ 909,852.43
Receipts:		
Investment income	14,380.09	13,227.64
Bank interest	12,937.08	8,805.78
Deposits	943,196.17	917,744.17
Other	---	---
	970,513.34	939,777.59
Disbursements	(1,117,989.71)	(966,141.46)
Balance, end of year	$ 736,012.19	$ 883,488.56

Note to the Financial Statements
March 31, 2004

Investments at March 31, 2004 consists of the following investments:

$400,000.00 TD Bank Banker's Acceptance March 26 to April 26, 2004, 2.150%	$ 399,372.00

AUDITORS' REPORT

To the Shareholder of
Waterfront Development Corporation Limited

We have audited the balance sheet of Waterfront Development Corporation Limited at March 31, 2004 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Halifax, Nova Scotia
May 7, 2004

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Statement of Earnings and Retained Earnings
Year Ended March 31, 2004

	2004	2003
Revenue		
Rents	$ 3,032,921	$ 2,979,257
Recoveries	9,759	27,123
Interest income	924	5,379
Other income	30,543	20,721
Grant revenue	130,732	112,400
	3,204,879	3,144,880
Property expenses		
Property taxes	16,203	18,217
Operating	890,083	652,296
Depreciation and amortization	300,432	302,486
	1,206,718	972,999
Income before other items	1,998,161	2,171,881
Corporate expenses		
Directors' fees and expenses	55,878	36,768
Doubtful accounts (recovery) expense	(26,845)	91,890
Office operations	80,658	62,872
Professional fees		
Audit	14,500	13,000
Programs	68,433	93,749
Legal (recovery) fees	(204,170)	33,221
Salaries, contracts and benefits	511,876	470,970
Waterfront promotions and public relations	43,796	41,688
	544,126	844,158
Loan interest	233,897	280,017
Depreciation on facilities for public access	92,000	82,843
Contribution to non-owned infrastructure	82,784	213,183
	408,681	576,043
Net earnings	$ 1,045,354	$ 751,680
Retained earnings, beginning of year	$ 3,421,034	$ 1,269,354
Net earnings	1,045,354	751,680
Transfer from General Development Reserve	---	1,800,000
Transfer to Infrastructure Renewal Fund	(400,000)	(400,000)
Retained earnings, end of year	$ 4,066,388	$ 3,421,034

See accompanying notes to the financial statements.

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Balance Sheet
March 31, 2004

	2004	2003
ASSETS		
Receivables - trade	$ 684,709	$ 205,504
Notes receivable (Note 3)	49,051	60,544
Prepaids	31,124	6,947
Deferred costs - Tall Ships Challenge 2004	182,385	---
Real estate and development projects (Note 4)	27,405,676	27,509,602
Deferred pension costs	9,070	9,977
	$ 28,362,015	$ 27,792,574
LIABILITIES		
Bank indebtedness (Note 5 and 8)	$ 164,366	$ 360,980
Payables and accruals	404,826	434,992
Deferred revenue (Note 6)	2,089,787	1,928,414
Loan payable (Note 5)	6,355,364	6,655,364
	9,014,343	9,379,750
SHAREHOLDER'S EQUITY		
Capital stock (Note 7)	3	3
Contributed surplus	13,747,826	13,747,826
Infrastructure Renewal Fund (Note 8 and Page 587)	1,533,455	1,243,961
Retained earnings	4,066,388	3,421,034
	19,347,672	18,412,824
	$ 28,362,015	$ 27,792,574

Commitments (Note 10)
Contingency (Note 12)

See accompanying notes to the financial statements.

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Statement of Cash Flows
Year Ended March 31, 2004

	2004	2003
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	$ 1,045,354	$ 751,680
Depreciation and amortization	392,432	385,329
	1,437,786	1,137,009
Change in non-cash operating working capital (Note 9)	(715,026)	495,100
	722,760	1,632,109
Financing		
Interest earned on Infrastructure Renewal Fund	45,517	27,545
Expenditures from infrastructure Renewal Fund	(156,023)	---
Decrease in notes receivable	11,493	13,894
Decrease in loan payable	(300,000)	(3,500,000)
	(399,013)	(3,458,561)
Investing		
Purchase of equipment	(21,301)	(38,848)
Purchase of real estate and construction projects, net	(267,205)	(132,038)
Deferred revenue	161,373	1,913,413
	(127,133)	1,742,527
Net increase in cash and cash equivalents	196,614	(83,925)
Bank indebtedness, net of cash and cash equivalents		
Beginning of year	(360,980)	(277,055)
End of year	$ (164,366)	$ (360,980)

See accompanying notes to the financial statements.

Notes to the Financial Statements
March 31, 2003

1. Nature of operations

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor in Council No. 76-373 dated March 30, 1976.

The Corporation's mission is the stewardship, long term development and revitalization of the Halifax, Dartmouth and Bedford waterfronts, including the encouragement of promotional activity to attract public attention and use of these areas.

2. Summary of significant accounting policies

Revenue recognition
Rent and recovery revenues are recorded on an accrual basis as earned.

Revenue generated as a result of property development is applied as a reduction in the cost. The Corporation received amounts from third parties for dumping fill on a Corporation property. These amounts had been offset against accumulated development costs related to the property and the excess had been recorded as deferred revenue.

Government assistance for capital projects are accounted for as a reduction in the capital cost of the applicable project. Government assistance related to the cost recovery of overhead costs are accounted for as grant revenue.

Income taxes
As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of the Income Tax Act.

Depreciation
All expenditures directly related to acquisitino, renovation and development are included in the cost of real estate.

Building and equipment
Assets are depreciated on a straight line basis over their useful life, but not greater than 50 years, at rates between 2% and 33.3% per annum.

Long-term lease
The cost of the lease referred to in Note 4 is amortized over its term.

Development costs
Costs for projects constructed on Corporation lands are capitalized and depreciated at 2% per annum.

Non-owned infrastructure
The Board of Directors approves expenditures related to improvements to facilities for public access which are owned or leased by the Corporation. These expenditures are expensed as incurred.

Use of estimates
In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Bank indebtedness and cash equivalents
Bank indebtedness is comprised of cash on hand, cash held in banks and an operating line of credit.

Financial instruments
The fair value of cash, receivables, payables and accruals, and loans payable approximate their carryng amounts because of their short term to maturity.

Notes receivable are subject to credit risk. In management's opinion these risks are not significant.

3. Notes receivable

	2004	2003
Note receivable bearing interest at a variable rate calculated annually, repayable in blended monthly payments of $942, maturing June 2006.	$ 23,889	$ 48,179
Note receivable bearing interest at 9%, repayable in blended monthly payments of $253, maturing April 2008.	10,162	12,365
Note receivable bearing interest at 6%, repayable in blended monthly payments of $554, maturing March 2007.	15,000	---
	$ 49,051	$ 60,544

4. Real estate and development projects

	Cost	Accumulated Depreciation	2004 Net Book Value	2003 Net Book Value
Facilities for public access	$ 6,419,116	$ 1,454,421	$ 4,964,695	$ 5,054,345
Real estate and development projects	26,975,535	4,534,554	22,440,981	22,455,257
	$ 33,394,651	$ 5,988,975	$ 27,405,676	$ 27,509,602

Included in the cost of real estate is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

5. Credit facility

(i) The Corporation has available a combined credit facility of $18,100,000, of which $14,500,000 is secured by a guarantee of the Province of Nova Scotia, bearing interest at the Bank of Montreal prime rate, less 0.95 percent. The additional $3,600,000 is available at the Bank's prime rate to be secured by a negative pledge regarding its real property.

(ii) Loans payable

	2004	2003
Capital projects	$ 4,600,000	$ 4,900,000
Office of Economic Development, non-interest bearing	1,755,364	1,755,364
	$ 6,355,364	$ 6,655,364

The loan from the Office of Economic Development is secured by a charge over specific real property and is to be repaid from excess funds generated from sales of real estate development. If segregated funding was required for the infrastructure renewal fund (Note 8) and the amount was drawn against the credit facility, the loans payable related to capital projects would total $6,133,455, increasing the total balance to $7,888,819.

6. Deferred revenue

	2004	2003
Bedford Infill	$ 1,610,989	$ 1,860,914
Economic recovery studies and proposals	92,811	---
Tall Ships Challenge 2004 sponsorships	385,987	---
Deposit from sale of property	---	67,500
	$ 2,089,787	$ 1,928,414

In the current year, costs incurred on the Bedford Infill exceeded the amounts received and therefore the excess was removed from the deferred revenue and applied against those costs.

7. Capital stock

	2004	2003
Authorized		
5,000 shares without nominal or par value		
Issued:		
3 shares	$ 3	$ 3

The shares are held in trust by one representative of the Province for the Queen in Right of the Province of Nova Scotia.

8. Infrastructure renewal fund

The infrastructure renewal fund (Page 12) shall be used for the renewal or replacement of public use facilities such as wharves, boardwalks, and parks, when such work is required as a result of aging. In general, the fund will not be used for ordinary repairs necessitated by other causes, or for repair/replacement of minor portions of such assets. Exceptions may be made when deemed appropriate by management in consultation with the Board. Interest has been allocated to the fund based on the interest rate paid on the credit facility.

The Corporation has not established a seperate cash investment account for the infrastructure renewal fund. All excess cash of the Corporation has been applied against the capital project loan payable (refer to Note 5). Any expenditures from this fund will be funded from the current credit facility.

9. Supplemental cash flow information

Change in non-cash operating working capital

	2004	2003
Receivables - trade	$ (479,205)	$ 248,331
Prepaids	(24,177)	(628)
Deferred costs - Tall Ships Challenge 2004	(182,385)	—
Deferred pension costs	907	12,029
Payables and accruals	(30,166)	235,368
	$ (715,026)	$ 495,100

Bank indebtedness, net of cash and cash equivalents is comprised of the following:

	2004	2003
Cash in bank account and on hand	$ 4,180	$ 5,824
Line of credit	(168,546)	(366,804)
	$ (164,366)	$ (360,980)
Interest paid	$ 233,897	$ 280,017

10. Commitments

(i) The Corporation has entered into a lease agreement for the water lot portion of Queen's Wharf. Minimum lease payments over the next five years, assuming renewal at similar terms, are as follows:

2005	$ 1,016
2006	1,016
2007	1,016
2008	1,016
2009	1,016

(ii) The Corporation has committed to organize and fund, through various sponsorship and event ticket sales, Tall Ships Challenge 2004. The Corporation has a budget of approximately $2,000,000 for expenditures related to this event of which $182,385 has been expended and a further $289,745 has been committed through agreements for the coming year.

(iii) The Corporation has agreed to provide compensation, not to exceed $75,000, to replace fish habitat displaced as a result of infilling the Bedford Water lots.

11. Employee pension plan

The Corporation is a participant in a multi-employer pension plan, the Nova Scotia Public Sector Superannuation Plan. The plan required payments for past service benefits which are being amortized to earnings over the expected average remaining service life of the employee group.

The most recent actuarial valuation of this plan was completed as at December 31, 2002 and includes pension assets of $2,685,300,000, and pension liabilities of $3,272,300,000, resulting in an unfunded liability of ($587,000,000). The amount applicable to the Corporation is not determinable and should not be significant as its participation includes only five employees.

12. Contingencies

(i) Waterfront Development Corporation is a defendant in an action brought forward, claiming specific performance of an alleged Agreement of Purchase and Sale for Parcel 4.5, lands of WDCL. This site has subsequently been sold, under which the agreement of purchase and sale required the Corporation to enter into an indemnity agreement to protect the purchaser against possible legal expenses and claims arising from this action. The outcome is undeterminable at this time and no amounts have been accrued in these financial statements. Should the outcome be unfavourable, the Province will reimburse the Corporation for the amount settled.

(ii) The Corporation has been named in a claim presented to the courts, claiming breach of contract in respect of a purchase and sale agreement for land in Bedford, Nova Scotia. The outcome is undeterminable at this time and no amounts have been recorded in these financial statements. It has been determined that the likelihod of success by the plaintiff is low, but should the claim be successful, the Corporation will seek reimbursement from the Province.

(iii) During the year, the Corporation incurred expenses related to the cleanup and repair of damage caused by Hurricane Juan. The Corporation has applied for and expects to obtain reimbursement of some of these expenses from the Federal government. As the amount is undeterminable, no amount has been recorded in these financial statements.

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Schedule of Revenue, Expenditures and Fund Balances
for the Infrastructure Renewal Fund
Year Ended March 31, 2004

	2004	2003
Revenue		
Interest	$ 45,517	$ 27,545
Expenditures		
Cable wharf upgrade	156,023	---
(Deficiency) excess of revenues over expenditures	$ (110,506)	$ 27,545
Fund Balance, beginning of year	$ 1,243,961	$ 816,416
(Deficiency) excess of revenue over expenditures	(110,506)	27,545
Transfer from operations	400,000	400,000
Fund Balance, end of year	$ 1,533,455	$ 1,243,961

AUDITORS' REPORT

To the Members of the Board of Directors
Workers' Compensation Board of Nova Scotia

We have audited the statements of financial position of the Workers' Compensation Board of Nova Scotia (the "WCB") as at December 31, 2003 and 2002 and the statements of operations and unfunded liability and cash flows for the years then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young, LLP
Chartered Accountants

Halifax, Nova Scotia
March 5, 2004

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

Statement of Financial Position
as at December 31, 2003

		2003		2002 (Restated-Note 3)
		(in thousands)		
ASSETS				
Cash and cash equivalents (Note 13)	$	29,570	$	33,314
Receivables (Note 4)		20,424		17,965
Investments (Note 5)		782,815		715,483
Property, equipment and other assets (Note 6)		11,887		14,040
	$	844,696	$	780,802
LIABILITIES				
Payables and accruals	$	11,341	$	12,817
Employee future benefits (Notes 2f, 7 and 17)		4,234		3,838
Benefits liabilities (Note 8)		1,241,072		1,114,446
		1,256,647		1,131,101
Unfunded liability		(411,951)		(350,299)
	$	844,696	$	780,802

Commitments (Note 15)
Contingencies (Note 16)

The accompanying notes are an integral part of the financial statements.

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

Statement of Operations and Unfunded Liability
Year Ended December 31, 2003

	2003	2002 (Restated-Note 3)
	(in thousands)	
Revenue		
Assessments (Notes 9 and 13)	$ 216,114	$ 201,526
Net investment income (Notes 5 and 13)	38,363	27,294
	254,477	228,820
Claims costs incurred (Notes 8 and 13)		
Short-term disability	39,776	36,751
Long-term disability	50,116	51,553
Survivor benefits	4,755	4,794
Health care	29,971	26,623
Rehabilitation	2,044	2,369
	126,662	122,090
Growth in present value of benefits liabilities and actuarial experience adjustments (Note 8)	(13,784)	49,897
Administration costs (Notes 10 and 13)	26,777	25,453
Legislated obligations (Note 11)	8,146	8,470
	147,801	205,910
Excess of revenue over expenses before the following	106,676	22,910
Adjustment to benefits liabilities (Note 8)	168,328	21,540
Excess of (expenses over revenue) revenue over expenses applied to (increase) reduce the unfunded liability	(61,652)	1,370
Unfunded liability, beginning of year, as originally stated	(286,332)	(290,595)
Restatement (Note 3)	(63,967)	(61,074)
Unfunded liability, beginning of year, as restated	(350,299)	(351,669)
Unfunded liability, end of year	$ (411,951)	$ (350,299)

The accompanying notes are an integral part of the financial statements.

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

Statement of Cash Flows
Year Ended December 31, 2003

	2003	2002 (Restated-Note 3)
	(in thousands)	
Operating Activities		
Cash received from:		
Employers, for assessments	$ 211,372	$ 198,334
Net investment income	22,700	21,057
	234,072	219,391
Cash paid to:		
Claimants or third parties on their behalf	(150,980)	(140,364)
Suppliers, for administrative and other goods and services	(34,698)	(33,125)
	(185,678)	(173,489)
Net cash provided by operating activities	48,394	45,902
Investing Activities		
Increase in investments, net	(51,670)	(38,176)
Cash paid for:		
Purchases of equipment	(468)	(1,520)
Net cash used in investing activities	(52,138)	(39,696)
Net (decrease) increase in cash and cash equivalents	(3,744)	6,206
Cash and cash equivalents, beginning of year	33,314	27,108
Cash and cash equivalents, end of year	$ 29,570	$ 33,314

The accompanying notes are an integral part of the financial statements.

1. NATURE OF OPERATIONS

The Workers' Compensation Board of Nova Scotia ("the WCB") was established by the Nova Scotia Legislature in 1917, under the Workers' Compensation Act (the "Act"), and as such is exempt from income tax. The WCB is responsible, in accordance with the provisions of the Act, for administering the payment of benefits to injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the costs of claims and administration; and investing funds held for future benefit payments.

A new Act received Royal Assent on February 6, 1995. Amendments to the Act received Royal Assent on April 16, 1999. Further amendments to the Act received Royal Assent on May 30, 2002 and November 28, 2002.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles, within the framework of the following accounting policies:

a) Cash and Cash Equivalents

Money market instruments with original maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates current market value.

b) Assessments Receivable

Assessments receivable and assessment revenue include a provision for unbilled assessments to reflect anticipated revisions based upon actual payroll information received in the following year.

c) Investments

Fixed-term investments are recorded at amortized cost. Gains or losses realized on disposal of fixed-term investments are amortized on a straight-line basis over a five-year period.

Equity investments are stated at moving average market value. Under this method unrealized gains and losses occurring during the year, together with gains and losses realized on disposal of equities during the year, are deferred and amortized on a straight-line basis over a five-year period.

Where it is determined that a permanent impairment in the carrying value of the entire investment portfolio has occurred, the carrying value of the portfolio is written down to recognize the loss and the write down is included in the income of the year in which it occurs.

d) Property and Equipment

Property and equipment are stated at cost, less accumulated amortization. Amortization is charged on a straight-line basis over a period of 40 years for the building, and 5 to 10 years for furniture and facilities, equipment and computer hardware. Amortization is charged on a straight-line basis over a period from 5 to 10 years for software and process development and on a declining balance basis at an annual rate of 50 percent for software purchases. In the year of acquisition, a half-year's amortization is taken.

e) **Other Assets**

Other assets are stated at cost, less accumulated amortization, which is charged on a straight-line basis over 25 years.

f) **Employee Future Benefits**

Costs for employee future benefits other than pensions (note 17) are accrued over the periods in which the employees render services in return for these benefits. Any related actuarial gains and losses are amortized on a straight-line basis over the employees average remaining service life.

g) **Benefits Liabilities**

An independent actuary completes a valuation of the Benefits Liabilities of the WCB at each year-end. The Benefits Liabilities represent the actuarial present value of all future benefits payments expected to be made for accidents which occurred in the current fiscal year or in any prior year. The Benefits Liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims and for future costs of administering existing claims. No provision has been made for future claims related to occupational disease.

h) **Foreign Currency Translation**

Investments denominated in foreign currencies are converted to Canadian dollars at rates of exchange prevailing at the balance sheet date. The resulting translation adjustment is accounted for on a basis consistent with the accounting policy for Investments.

i) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, specifically benefits liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ materially from those estimates. Decisions of the WCB may be appealed to the Workers' Compensation Appeals Tribunal, subsequently to the Nova Scotia Court of Appeal and finally to the Supreme Court of Canada. Rulings by these bodies may have the potential to impact benefits liabilities.

j) **Financial Instruments**

The carrying values of WCB's financial instruments, other than investments, approximate fair values because of their short-term maturity and normal credit terms.

The WCB's accounts receivable are not subject to significant concentration of credit risk because the accounts are owed by a large number of employers, the Province of Nova Scotia and the federal government, on normal credit terms. At December 31st, 2003 and 2002 the WCB did not have any exposure relating to derivative instruments.

3. RESTATEMENT OF PRIOR PERIODS' BENEFITS LIABILITIES

During the year, prior years' financial statements were restated to include a provision for the future cost of administering claims. The effect of the restatement is that the December 31, 2002 unfunded liability has increased by $63,967 (2001 - $61,074). The financial statements have been restated to reflect changes in the unfunded liability balance as follows:

	2003	**2002** **(in thousands)**
Increase in benefits liabilities at December 31, 2002 & 2001	$ 63,967	$ 61,074
Decrease in administration costs	(1,445)	(1,060)
(Decrease) Increase in growth in present value and actuarial adjustments	(949)	2,718
Increase in adjustment to benefits liabilities	9,528	1,235
Increase in unfunded liability at December 31	$ 71,101	$ 63,967

4. RECEIVABLES

	2003	2002
	(in thousands)	
Assessments	$ 15,704	$ 16,807
Self-insured employers (Note 13).	7,570	3,920
Assessments receivable	23,274	20,727
Self-insured employers - deposits	(4,001)	(4,001)
Harmonized Sales Tax rebate	218	323
Other	933	916
	$ 20,424	$ 17,965

Assessments receivable are net of an allowance for doubtful accounts of $1,950 in 2003 (2002 -$1,140). Other receivables are net of an allowance for doubtful accounts of $142 in 2003 (2002 - $133).

5. INVESTMENTS

	2003 Carrying Value	2003 Fair Market Value	2002 Carrying Value	2002 Fair Market Value
		(In thousands)		
Money market	$ 27,276	$ 27,276	$ 16,951	$ 16,951
Fixed-term investments	257,748	263,980	248,450	254,929
Equities	500,003	506,243	454,467	407,625
Accrued interest.	1,792	1,708	2,210	2,108
	786,819	799,207	722,078	681,613
Deferred realized investment and foreign exchange gains	(4,004)	---	(6,595)	---
Total.	$ 782,815	$ 799,207	$ 715,483	$ 681,613

Deferred realized investment and foreign exchange gains (losses)

	2003	2002
		(In thousands)
Balance, Beginning of year.	$ 6,595	$ 42,184
Realized net (losses) gains for the year	7,181	(24,857)
	$ 13,776	$ 17,327
	(9,772)	(10,732)
Balance, end of year	$ 4,004	$ 6,595

Investment Income

	2003	2002
Interest and dividends	$ 20,876	$ 21,366
Amortization of deferred realized investment gains	9,772	10,732
Amortization of deferred unrealized investment gains (losses)	8,561	(3,426)
	$ 39,209	$ 28,672
Less: Portfolio management expenses.	(846)	(1,378)
Total Investment Income	$ 38,363	$ 27,294

6. PROPERTY AND EQUIPMENT

	2003		
	Cost	Accumulated Amortization	Net Book Value (in thousands)
Land	$ 155	$ —	$ 155
Building	3,440	1,520	1,920
Furniture and facilities	2,472	967	1,505
Equipment and computer hardware	2,651	1,958	693
Software and process development	14,126	8,162	5,964
Other Assets (a)	3,750	2,100	1,650
	$ 26,594	$ 14,707	$ 11,887

	2002		
	Cost	Accumulated Amortization	Net Book Value (in thousands)
Land	$ 155	$ —	$ 155
Building	3,380	1,387	1,993
Furniture and facilities	2,358	760	1,598
Equipment and computer hardware	2,807	1,877	930
Software and process development	14,834	7,270	7,564
Other assets (a)	3,750	1,950	1,800
	$ 27,284	$ 13,244	$ 14,040

a) During 1990, the WCB paid $3,750 to the Province of Nova Scotia for the exclusive right to utilize a 16 bed unit at the Queen Elizabeth II Health Sciences Centre for a period of 25 years.

7. EMPLOYEE FUTURE BENEFITS

The WCB has provided for employee future benefits other than pensions consisting of retirement allowances, and post employment life insurance, dental and medical programs. The significant actuarial assumptions adopted in measuring these accrued benefit obligations are as follows:

	Benefit Plans Other Than Pension 2003	Benefit Plans Other Than Pension 2002
Discount Rate	6.75%	6.75%
Expected health care costs trend rate	7% decreasing annually by 1% increments to an ultimate rate of 6%	8% decreasing annually by 1% increments to an ultimate rate of 5%
Drug claim increases trend rate	9% decreasing annually by 1% increments to an ultimate rate of 6%	10% decreasing annually by 1% increments to an ultimate rate of 6%
Retirement age assumption	59 years.	59 years.

The current year's net expense incurred for future employee benefits is $452 (2002 - $452).

8. BENEFITS LIABILITIES

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Claims Administration	Total 2003	Total 2002 Restated
							(in thousands)	
Balance, beginning								
of year. . . . . $	64,161 $	734,739 $	121,835 $	119,291 $	10,453 $	63,967 $	1,114,446 $	1,064,052
Growth in present value of benefits liabilities	4,701	54,639	8,813	8,846	794	4,743	82,536	79,497
Change in actuarial assumptions (a).	---	(87,907)	(544)	7,005	284	(4,942)	(86,104)	(29,438)
Actuarial experience Adjustments (b)	(2,182)	(16,188)	2,823	9,116	(3,035)	(750)	(10,216)	162
	2,519	(49,456)	11,092	24,967	(1,957)	(949)	(13,784)	49,897
Claims costs incurred	39,776	50,116	4,755	29,971	2,044	6,122	132,784	127,994
Claims payments made	(42,727)	(62,556)	(13,416)	(32,653)	(1,783)	(7,567)	(160,702)	(149,037)
Adjustments to Benefits liabilities (c, d).	---	158,800	---	---	---	9,528	168,328	21,540
Balance, end of period. . . . . . . $	63,729 $	831,643 $	124,266 $	141,576 $	8,757 $	71,101 $	1,241,072 $	1,114,446

All liabilities were calculated using an underlying assumption of 3.5% for real rate of return on assets and a rate of increase in the Consumer price index equal to 4% per annum. The gross rate of return that results from the CPI and the real rate of return assumptions is 7.5% per annum. The inflation assumptions and the resulting net interest rates are as follows:

2002 and 2003 Category	Inflation Formula	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary Benefits	0.5% + CPI	4.5%	3.0%
LTD, Survivor Pensions	50% * CPI	2.0%	5.5%
Medical Aid, Rehibilitation and non-income*	1.5% + CPI	5.5%	2.0%
*2002 Assumption	1.0% + CPI	5.0%	2.5%
All others	CPI	4.0%	3.5%

The WCB's independent actuaries, in their report of March 2004, have noted that limited claims experience is available in respect of earnings-loss benefits to be granted only in the future upon aggregate benefits liabilities, as the earnings-loss system was only introduced in 1995. The portion of the WCB's recorded benefits liabilities earnings-loss benefits to be granted in the future is $317,100.

Recorded benefits liabilities are based upon the best estimation techniques presently available to the WCB. However, it is possible that subsequent independent actuarial estimates may vary based upon the more extensive experience and data under the new earnings-loss procedures that will become available over time. The probability and the magnitude of such a variance, which could be material, is presently undeterminable.

a) In 2003, changes were made in the actuarial assumptions reducing the overall benefits liabilities by $86,104 (2002 - $29,438). In 2003 the changes included;

   - Provisions for payments relating to medical claims increased the liability by $7,700, as a result of increasing the cost increase assumption from 1.0% to 1.5% greater than the consumer price
   - Base on experience, the liability for pending claims was reduced by $118,600 with the introduction of new claims run off tables for the number of potential new extended earnings replacement benefit claims
   - Based on experience, the liability for permanent impairment benefit and extend earnings replace benefit awards was increased by $24,800 reflecting changes to the expected average benefit amount and average age at accident date.

(b) Actuarial experience adjustments represent the difference between what is predicted based on the actuarial assumptions and methods used in the prior valuation and what actually occurred in the year.

(c) On October 3, 2003 the Supreme Court of Canada found that certain sections of the Workers' Compensation Act, relating to compensation for chronic pain, are unconstitutional. The Supreme Court further ruled that the unconstitutional sections of the Act and policies relating to chronic pain benefits are to be removed by April 2, 2004. Legislation amending the Act has been introduced but has not yet been finalized. There is a high probability that the changes associated with the pending legislation will result in costs that will increase the benefits liability, however the magnitude of the costs are not yet determinable. Current estimates of the the increase in liabilities for all employers range from $198,500 to $316,400. As described in Note 12, the benefit liabilities related to self-insured employers are not included in the WCB's benefits liabilities account. Current estimates of the increase in liabilities excluding the self-insured employer portion range from $158,800 to $253,000. No amount within the range is indicated as a better estimate than any other. The lower end of this range is included in the benefits liability of the current year financial statements with an additional $9,528 for future claims administration for a total of $168,328.

(d) Introduced in 1995, the Supplementary Benefit Program provides benefits to injured workers with permanent disabilities who, because of their date of injury, do not qualify to be considered for earnings loss benefits under the Workers' Compensation Act. In April 2002, the Workers' Compensation Review Committee released its report on a review of the workers' compensation system. The Review Committee concluded that the amount payable under the current Supplementary Benefit Program was not sufficient and an increase in the benefit amount was required. The Committee recommended an amendment to the legislation and regulation "to remove the monthly maximum payment and increase the income threshold for individuals to one-half the average industrial wage from year to year." In November 2002, this recommendation was adopted by government effective October 1, 2002. The cost of implementing this change is an estimated one-time increase of $21,540 to the WCB's benefits liabilities.

9. ASSESSMENTS

	2003 (in thousands)	2002
Asessed Employers	$ 182,795	$ 169,659
Self-insured employers (Note 12)	31,593	30,327
Assessment and reporting penalties	1,259	1,134
Premium adjustment charge	467	406
	$ 216,114	$ 201,526

Assessment revenue is shown net of bad debt expense of $1,333 in 2003 (2002-$1,280).

10. ADMINISTRATION COSTS

	2003 (in thousands)	2002
Salaries and staff expense	$ 19,507	$ 18,429
Amortization	2,611	2,586
Services contracted	1,502	1,223
Building operations	1,337	1,200
Supplies	856	789
Professional fees	700	665
Communications	717	639
Travel and accommodations	489	520
Training and development	455	409
Equipment rental	29	37
Miscellaneous	19	16
	$ 28,222	$ 26,513
Decrease in Liability for Future Administration Costs	(1,445)	(1,060)
	$ 26,777	$ 25,453

11. LEGISLATED OBLIGATIONS

	2003	2002
	(in thousands)	
Occupational Health and Safety	$ 4,531	$ 4,834
Workers' Compensation Appeals Tribunal	1,478	1,434
Workers' Advisers Program	2,062	1,975
Injured Workers' Associations	75	–
Workers' Compensation Review Committee	---	227
	$ 8,146	$ 8,470

The WCB is required by the Act to reimburse the Province of Nova Scotia for part of the operating costs of the Occupational Health and Safety Division of the Department of Environment and Labour.

The Workers' Compensation Appeals Tribunal (WCAT) is an independent organization formed to hear appeals of workers' compensation claims and assessment decisions. The WCB is required by the Act to absorb the operating costs of the WCAT.

The Workers' Advisers Program (WAP) offers legal advice and assistance to eligible injured workers on workers' compensation matters. The WAP operates autonomously from the WCB. The WCB is required by the Act to absorb the operating costs of the WAP.

Injured Workers' Associations provide advice and assistance to workers on workers' compensation issues. The WCB is required by the Act to provide funding to Injured Workers' Associations on such terms and conditions as the Minister of Environment and Labour deems appropriate or the Governor-in-Council prescribes.

The Statutory Review Committee was appointed pursuant to the Act to review, report on and make recommedations to the Governor in Council in accordance with the terms of reference established by the Governor in Council. The WCB is required by the Act to absorb the operating costs of the Workers' Compensation Review Committee.

12. SELF-INSURED EMPLOYERS

These financial statements include the effects of transactions carried out for self-insured employers -federal and provincial government bodies and former bodies - who directly bear the costs of their own incurred claims and an appropriate share of administration costs.

	2003	2002
	(in thousands)	
Revenue	$ 31,593	$ 30,327
Claims costs incurred		
Short-term disability	$ 4,396	$ 4,110
Long-term disability	15,223	14,576
Survivor benefits	3,021	3,063
Health care	4,187	4,030
Rehabilitation	200	219
	27,027	25,998
Administration costs	4,566	4,329
	$ 31,593	$ 30,327

The benefits liabilities related to self-insured employers have not been included in the WCB's benefits liabilities account. As these liabilities will be borne by those employers when paid in future years, they do not add to the WCB's unfunded liability.

As of January 1, 2003, four former federal government bodies ceased to be self-insured and paid assessment premiums. These employers and the WCB are continuing to negotiate the transitional arrangements related to benefits liabilities for accidents occurring on or before the date they ceased to be self insured.

13. RELATED PARTY TRANSACTIONS

Pursuant to various legislative amendments to the Act, the Province of Nova Scotia reimbursed the WCB for certain claims costs incurred until April 1, 2002. These claims payments were billed and recovered on a monthly basis. Total recoveries for 2003 were nil (2002 - $224). Claims payments and costs incurred indicated in Note 8 are shown net of these amounts.

In addition, the WCB provides self-insured coverage to provincial government agencies and departments. The Province, as a self-insured employer, reimburses the WCB for their own incurred claims and a share of administration costs. The amounts included in Note 12 for the Province of Nova Scotia are as follows:

		2003		2002
		(in thousands)		
Revenue	$	3,956	$	3,817
Claims costs incurred	$	3,247	$	3,129
Administration charges		709		688
	$	3,956	$	3,817

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances due to and due from related parties are non-interest bearing and under normal credit terms. At December 31, 2003, the amount receivable from the Province of Nova Scotia was $440 (2002 - $534).

The WCB invests short-term funds in promissory notes of the Province of Nova Scotia. Interest earned on these investments totalled $823 in 2003 (2002 - $671). Total funds invested in notes due from the Province as at December 31, 2003 were $19,000 (2002 -$27,000), bearing an average interest rate of 2.71% (2002 - 2.74%).

14. INDUSTRY LEVIES

As a result of Orders-in-Council, the WCB has levied a surcharge against the industries listed below to fund a portion of the operating costs of safety and health training programs conducted by the industries. The amounts collected have been disbursed as directed by the Orders-in-Council. As the funds collected on behalf of these industries are not those of the WCB, they have not been included as revenue or costs in the Statement of Operations and Unfunded Liability.

Industry	Payee		2003		2002
			(in thousands)		
Construction	Nova Scotia Construction Safety Association	$	850	$	856
Forestry	Forestry Safety Society	$	282	$	279
Trucking	Nova Scotia Trucking Safety Association	$	215	$	217
Retail Gasoline	Retail Gasoline Dealers' Association	$	23	$	24

15. COMMITMENTS

The WCB has committed to the following operating lease payments, for office premises and equipment, over the next five years and in aggregate:

		(in thousands)
2004	$	854
2005	$	301
2006	$	227
2007	$	201
2008	$	151
	$	1,734

16. CONTINGENCIES

On January 31, 2003 the Workers' Compensation Appeals Tribunal issued a decision indicating that interest may be payable on a delayed payment of benefits. This decision was appealed to the Nova Scotia Court of Appeal and leave to appeal was granted on September 25, 2003. Arguments will be heard and a decision from the Nova Scotia Court of Appeal is expected sometime in 2004. Unresolved issues surrounding this ruling have the potential to increase benefits liabilities. The probability and magnitude of such an increase are currently undeterminable.

17. EMPLOYEE PENSION PLAN

Employees of the WCB participate in the Public Service Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the plan are required by both employees and the WCB. Total employer contributions for 2003 were $951 (2002 - $845) and are recognized as an expense in the period. The WCB is not obligated for any unfunded liability, nor does the WCB have any entitlement to any surplus that may arise in this Plan.